



THE EUROPEAN FILES

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INDUSTRIAL STRATEGY IN EUROPE

COMPETITIVENESS AND GROWTH





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BRUSSELS 12TH TO 14TH MARCH 2014

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EDITORIAL

Support for the reindustrialization of Europe has never been stronger as the EU emerges from its longest recession. Members of European Parliament have been adamant in providing a united industrial strategy in line with 2020 objectives. Industry leaders have been asked to participate in the decision-making behind upcoming reforms. The solutions explored are far-reaching and long-term responses to systemic issues. Great efforts are being made to modernize the regional industrial policies.

There is a strong call for increased investment in research and development. Innovation is a critical part of the policies recommended. For example, the legal structures that encapsulate Information and Communications Technologies (ICTs) are outdated and constrictive. It is essential to facilitate the transfer of knowledge and technology for the development of data-harnessing enterprises, a boon for the future efficiency of the health sector.

Technologically intensive industries, such as the ever-growing aeronautics sector, demand for transnational cooperation in innovation chains through the Clean Sky program. MEPs have made it a priority to support this highly skilled technical sector by doubling its budget with the creation of Clean Sky 2. Pragmatic resolutions for the highly competitive automobile industry also support environmentally conscious and energy efficient initiatives in an attempt to secure a future for European automakers in the international market.

Concurrently, a secure Europe is a more energy autonomous one. The European Commission's DG Energy outlines the importance of a more complete internal energy market and energy efficient infrastructure for SMEs within the scope of this industrial renaissance. Any change in energy policies should alleviate the burden on consumers and entrepreneurs.

These initiatives conform to the call for an "Industrial Pact" accompanying the infamous European Fiscal Pact. This pact includes freer credit and improved market reach. The European Investment Bank (EIB) continues to encourage private investment through the Growth Finance Initiative as one of the many ways it increases the capital available. "Missions for Growth" is a prime example of the efforts made to enable European enterprises, especially SMEs, to gain access to the booming third-world economies. These represent concrete actions taken to spread European standards that facilitate the communication and interaction with these emerging markets. Stronger support for SME growth is imperative in reaching the benchmark 20% industrial share of the economy.

Other initiatives include the widespread modernization of State aid. New guidelines push for the reform of conservative support for energy-intensive industries. A new focus on "low carbon, resource-efficient" economies requires the EU's increased investment in rapid innovation. The ultimate goal being the creation of new markets through this revised state aid's framework.

Most controversial is the revision of the access to public procurement markets. This measure is a way to reestablish European confidence in the international markets. Support for increased reciprocity in foreign markets is viewed strictly as an inherently legal call for greater transparency and nondiscriminatory policies towards European firms.

This is a turning point in European politics. The need for greater industrial integration is imperative for the continued success of the European project. This edition of the European Files opens the floor to the discussion of the issues mentioned above.

Laurent ULMANN

Editor-in-chief, The European Files

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The European Industrial Strategy: Boosting Growth and Competitiveness



José Manuel BARROSO

President of the European Commission

Economic and political context

The European Union is emerging from its longest ever recession. We are on the right track, but our recovery remains modest according to our forecasts of 1.4% EU GDP growth in 2014 and unemployment rates close to 11% for the next two years. A number of challenges are currently hampering growth and competitiveness in Europe: internal demand remains weak, progress on improving the business environment is uneven, and innovation and investment levels remain subdued. Moreover, European firms face higher energy prices than leading competitors, and access to basic inputs is difficult.

Fostering growth and competitiveness to sustain and strengthen the economic recovery and achieve the EU 2020 agenda have therefore become the top priority for the European Commission and Member States.

Role of industry

The experience of the crisis provides clear evidence that the European countries with a

more solid industrial base have performed better in recent years. Many Member States are finding in industrial exports a remedy to the faltering internal demand in times of deleveraging and fiscal consolidation.

Currently, Europe's trade surplus in manufactured products is over a billion euros a day, making EUR 365 billion per year, almost three times more than in 2006. The economic importance of industry is much greater than suggested by the current manufacturing share 15.1% of EU GDP. Industry accounts for over 75% of Europe's exports, for 80% of private research and innovation, and almost every fourth private sector job is in industry, often highly skilled, while each additional workplace in manufacturing creates 0.5-2 jobs in other sectors. Without industrial exports in particular, the recession would have been deeper.

The lessons learned from the crisis have found their way into our policy-making. This is why in my State of the Union speech in September 2013 I promised that we would make further proposals for an industrial policy fit for the 21st century.

The European Industrial Strategy

A key message of the recently adopted communication "For a European Industrial Renaissance" is that Europe urgently needs to lay the foundations for post-crisis growth and modernisation. Europe cannot prosper without a strong industrial base and the Commission considers industry to be a central part of Europe's economic renaissance and competitiveness. Most importantly, the effective implementation of well-coordinated and consistent industrial policies at regional, national and European Union level is critical to deliver industrial change in the European Union, to ensure our future competitiveness and to increase our growth potential.

Building on the current integrated industrial policy

approach, as outlined in the Industrial Policy Communications of 2010 and 2012, we focus on concrete measures aimed at delivering industrial change. These include mainstreaming the objective of industrial competitiveness in other policy areas, maximising the potential of the Internal Market, encouraging investment in innovation and new technologies, enhancing access to affordable production inputs, and upgrading skills and facilitating industrial change. Our aim is to raise the share of industry in the EU's GDP to 20% by 2020.

One new element with great potential is the better integration of industrial and regional policies to deliver "smart specialisation" in European regions. This will be possible through greater mobilisation of regional funds, with national and European Union instruments in support of innovation, skills and entrepreneurship. Member States, European regions and industry will benefit, over the period 2014-2020, from an increasing share of financial levers thanks to the Horizon 2020, the European Research and Innovation Programme, to COSME, the first programme dedicated to SMEs and to structural funds.

As Europe shows signs of recovery, we need to bring fresh dynamism to its economy. The March 2014 European Council will address competitiveness and the European Commission is calling on Member States to recognise the central importance of industry for boosting competitiveness and growth in Europe. Mainstreaming of competitiveness concerns across all policy areas is also of paramount importance. An ambitious European industrial policy can help drive growth and competitiveness for the benefit of all European citizens.

1. http://ec.europa.eu/health/strategy/docs/swd_investing_in_health.pdf
2. http://ec.europa.eu/health/strategy/docs/swd_investing_in_health.pdf
3. http://www.ehealth-impact.org/case_studies/documents/ehealth-impact-7-2.pdf
4. http://ec.europa.eu/health/technology_assessment/policy/network/index_en.htm
5. http://www.nber.org/papers/w8587.pdf?new_window=1
6. http://ec.europa.eu/health/strategy/docs/swd_investing_in_health.pdf



An Industrial Renaissance for Growth and Employment



Antonio TAJANI

Vice-President of the European Commission
European Commissioner for Enterprise and Industry

The longest recession in EU's history has underlined the importance of having a strong industrial sector for economic resilience. If there is one lesson we can learn from this crisis it is that countries with good industry have suffered less, whereas countries with poor industry have experienced more difficulty. Against this background, I have been trying since the beginning of my mandate to implement a dream: to reindustrialise Europe. What kind of reindustrialization do I have in mind? One that is innovative, green, technologically advanced and modern. One that supports the 23 million SMEs that are the heart of our economy.

I am pleased to say that on 22 January, the Commission has taken an important step in this direction. On that day the Commission adopted a new Communication: *For a European industrial renaissance*. In the Communication, the Commission makes it very clear that we must put industry at the top of the EU agenda and have consistent EU and national policies if we want to reindustrialise Europe. It also urges Member States and regions to recognise the central importance of industry for creating jobs and growth and to mainstream industry-related competitiveness concerns across all policy areas.

With this Communication, the Commission wants to make a contribution to the March European Council, which will focus on industry, energy and climate, confirming the commitment we have already shown in previous Communications to do more to keep our companies competitive.

Stopping industrial decline

As we go forward in recovering from the crisis, we should continue to remember that industry's importance is much greater than suggested by its share of GDP. It accounts for over 80% of Europe's exports and private research &

innovation. Moreover, almost every fourth private sector job is in industry, often highly skilled, while each additional job in manufacturing creates 0.5-2 jobs in other sectors.

However, at 15.1% in the summer of 2013, the contribution of manufacturing to EU GDP has declined further and is a long way from the 20% target for 2020, which was put forward by the Commission in 2012. The EU must reverse the industrial decline that started in the 1990s and that accelerated during the recent crisis.

Industry that is more modern and innovative

Within the framework of our reindustrialisation strategy, we are working along four lines: (i) credit; (ii) access to markets; (iii) training; (iv) more investment in close-to-market innovation.

First of all, the industrial revolution that Europe seeks to lead requires massive investment. The new Communication therefore calls for greater use of EU resources, regional funds, Horizon 2020 and COSME, in conjunction with loans from the European Investment Bank, to drive forward private investment and facilitate access to credit and venture capital.

A further € 100 billion in regional funding is envisaged by 2020 for investment in innovation, which includes the six strategic areas identified by the Commission. These areas are: advanced manufacturing, key enabling technologies, clean vehicles & transport, bio-based products, construction & raw materials and smart grids.

For the first time, it will also be possible to supplement regional funds by allocating a large proportion of the €80 billion of Horizon 2020 to industrial projects that are close to the market. To this we can add the €2.5 billion from COSME, for competitiveness and access to finance.

The State as an ally of business

The most profound change that Europe has to make concerns the context in which firms operate and their relations with public authorities. This is why we are proposing a new Small Business Act laying down real binding legal rules, such as 3 days and €100 to set up a business, 30 days to obtain a trading permit and shorter deadlines for recovering debts.

Furthermore, through campaigns such as REFIT, the Commission is committed to further

reducing administrative burdens while at the same time bolstering competitiveness proofing, total cost analysis and fitness checks before and after regulatory measures are adopted. A great deal of red tape and anti-business regulations are produced by States and local bodies. We are therefore calling for the Commission's measures to be replicated at national and regional level. In 2014 the Commission will propose a strategy for increasing administrative efficiency.

A true internal market for products

Twenty-two percent of our GDP is linked to the free movement of products. This huge potential could increase if the penalties for infringing on EU legislation were harmonised. There are still too many differences at the national level, creating a risk that companies will fail to obey the rules or move to countries where penalties are less severe.

We are therefore proposing a regulation to harmonise penalties, to ensure compliance with legislation and competition between companies. It is not sufficient for the Commission alone to focus on industrial competitiveness: the Member States must do so, too. For example, the Member States must quickly adopt and implement the measures proposed by the Commission to create a true internal market for goods and services, one without technical barriers and with a modern system of interconnecting infrastructures. We are determined to play our part to the fullest and hope that the Member States will do likewise.

In conclusion, the importance of the challenges ahead for Europe's future calls for attention and policy guidance at the highest political level, i.e. the European Council. This is vital to ensure the coherence and prioritisation of all instruments at the EU's disposal. In the new Communication, the Commission calls on Member States to recognise the central importance of industry for boosting competitiveness and sustainable growth in Europe and for a more systematic mainstreaming of competitiveness concerns across all policy areas.

Reinforcing the Innovation Investment Policy to Struggle Against Unemployment



Richard BRUTON

Minister for Jobs, Enterprise and Innovation, Ireland

Research and innovation forms a major part of Ireland's jobs strategy which has helped to deliver 4% private sector jobs growth across the country over the past year.

The Irish Government has invested heavily in science, technology and innovation (STI) programmes over the past decade, with government investment in R&D rising from €290million in 2000 to €773million in 2013. We are now ranked 10th in the Global Innovation Index (out of 142 countries) and 3rd in the new EU indicator of innovation output. Our overarching strategy now is to accelerate the economic and societal return on our public investment in research in order to deliver high quality and well paid employment. A number of complementary initiatives are being put in place to enhance the efficiency, effectiveness and impact of our research investment.

Continued implementation of research prioritisation is seeing more targeted investment in STI, which will improve the effectiveness and impact of our €500million annual research investment to deliver sustainable employment. The majority share of competitive State funding in research for the next five years is being focussed on 14 priority areas where we are most likely to get economic returns and jobs. The priority areas, which include sectors such as food, health, ICT, manufacturing, energy, and innovation in services and business processes, build on Ireland's existing research and industrial strengths. Areas are targeted where opportunities exist in the global marketplace, which will ensure that Ireland is a top-tier location for innovation-intensive enterprises and jobs for the future.

There is a continued focus on commercialisation of research. Our new Intellectual Property

Protocol outlines a clear, robust and industry friendly policy for the commercialisation of IP arising from State funded research. The newly established Central Technology Transfer Office is the identifiable access route to the wealth of technology opportunities and academic talent that exists in State-funded research performing organisations and adds a new dimension to the national research and commercialisation infrastructure. Its goal is to ensure that intellectual property arising from public research is effectively captured and developed to spin off new jobs and new business in indigenous and foreign owned firms here.

Ireland's dynamic research, development and innovation (RD&I) sector is driven by an exceptional level of collaboration between industry, academia, Government development agencies and regulatory authorities. Industry are vital partners: their involvement ensures alignment with identified industry needs and opportunities. In this way highly skilled and experienced researchers can work to a company's agenda thus providing a step change in a company's innovation abilities over and above what the company could have achieved without such support. Over 780 such collaborative projects were supported in 2013. Additionally, over 300 companies are engaged in collaborative research in industry-led Technology Centres.

Separately, in February 2013 the Government announced the largest ever state/industry co-funded research investment in Ireland – over €300 million (€200 million from Government and €100 million from industry) in seven new Science Foundation Ireland Research Centres. Smart investment in research centres of scale with critical mass will deliver maximum impact on jobs and research excellence. These centres will focus on a broad range of topics with strong links to Ireland's existing research and industrial strengths including big data, marine renewable energy, pharmaceutical manufacturing, drug synthesis, connected health, neonatal care, photonics, functional foods and nanotechnology.

Innovation is vitally important for companies: it leads to increases in productivity and greater success in the use of new technology. To be successful in building export sales, companies must generally be quick to recognise market changes and respond to them. Innovation can therefore be a differentiating factor in business success if it is understood and deployed effectively. It is well recognised that ambitious national job creation targets can only be achieved with the active co-operation of a highly skilled workforce allied to world class RD&I facilities.

RD&I play a strategic role as part of Ireland's foreign direct investment landscape, embedding existing employment and setting the groundwork for increased future employment. 2012 and 2013 saw IDA win a number of high-value RD&I projects for Ireland with approximately €517 million in new RD&I investment secured in 2012 and €467 million in 2013. Among the companies that announced RD&I investments in the past two years were PepsiCo, Cisco, Munich Re, Stryker, Huawei, Fujitsu, Helsinn, McAfee, FAZTech, ON Semiconductor, Wellman, Cook Medical, DePuy and Axway.

In relation to indigenous companies, state agency Enterprise Ireland provides research, development and technological innovation support relevant to all stages of company development, enabling companies to progress from undertaking initial research projects to higher level innovation and R&D activities. The Agency funds R&D to support significant in-company projects which have the potential to develop novel products and services with a clear competitive advantage in their target market. This enables companies to increase employment through sustainable increase in sales and exports.

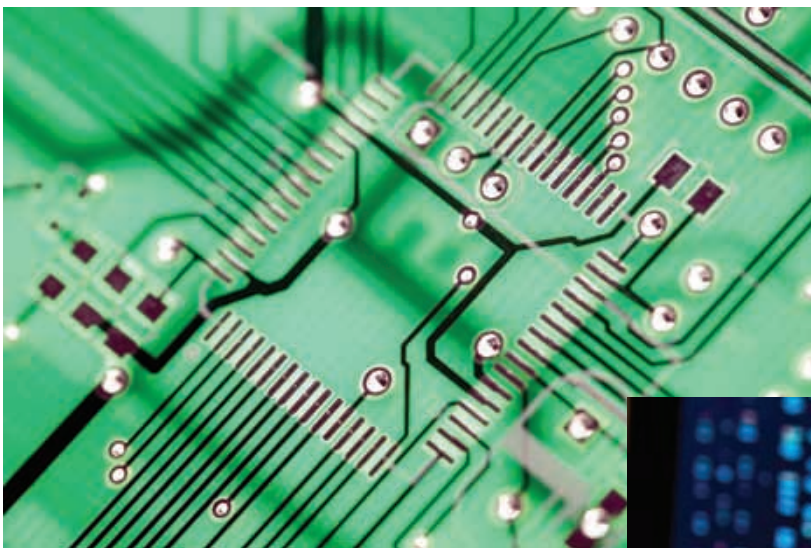
Recent months have seen final agreement on a €79billion Horizon 2020 programme. Ireland has targeted winning €1.25billion of this, which offers huge opportunities to researchers, research organisations and industry to engage in cutting edge research, and power Europe towards economic recovery. The challenge for Ireland is to build on

our successful experience to find new research and funding opportunities which we can exploit, to reach out to new participants and increase our level of participation.

The structure and objectives of Horizon 2020 are very much in line with our national objectives: raising the level of excellence in our science base, making Ireland a more attractive location to invest in research and innovation, and addressing

major societal challenges by bringing together resources and knowledge across different fields, technologies and disciplines, including social sciences and the humanities. We have proven we have an excellent science base on which to compete successfully with the best. A comprehensive national strategy will be in place to direct our engagement in Horizon 2020 and ensure that we maximize the benefits for Ireland.

In the past twelve months, the Irish economy has added over 58,000 extra jobs, which represents a private sector employment growth rate of over 4%. Our research and innovation strategy has played a significant part in this achievement – and will continue to play a major part in our future .



Level Playing Field for European Industry Begins At Home



H.G.J. KAMP

Minister of Economic Affairs, The Netherlands

Europe faces a double challenge: on the one hand we must generate growth and create jobs to be able to truly put the economic crisis behind us. On the other hand we are facing important societal developments like an ageing population, climate change and food supply issues. This double challenge creates new opportunities for tapping into international growth markets with innovative revenue models. The challenge for national and European industrial policymakers is therefore to make sure that in an open world economy, where the playing field for businesses is not always level, businesses can fully exploit these opportunities.

Role of industry

Industrial businesses are extremely innovative, they have high levels of productivity and they continue to be an important source of exports. Industry also provides the impetus for much technological and product development, which in turn can offer solutions to our societal challenges.

Those solutions often come from intensive cooperation between government, knowledge institutes, societal organisations and the private sector – including the services sector. Not only does this include new revenue models for large businesses, but also for SMEs. After all, small and medium-sized businesses are the driving force behind creative solutions and as such they challenge the established order.

Industrial policy

Capitalising on new opportunities requires a solid industrial policy and business policy. We should give businesses the room to grow in new and innovative directions. It requires policy that above all connects businesses with knowledge institutions, for it is this interaction between businesses and researchers that can make the difference in an increasingly globalised world. As network partner, the government must create a healthy business climate with favourable conditions for all businesses in areas such as taxation, education, research, financing and regulation. In addition, public-private partnerships are key to innovation and the government plays an important role in bringing relevant parties together.

Creating solid industrial policy is first and foremost a task for the individual Member States. In the Netherlands this is achieved through business policy that provides favourable

conditions and facilities for all businesses (and especially for SMEs) and a focused approach in nine designated top sectors via public-private partnerships. For a small country like the Netherlands it is especially important to make sure the expertise and know-how of businesses and knowledge institutions are well-positioned abroad. That is why this year the Netherlands is the partner country for the Hannover Messe, the world's largest technology fair.

We must also continue working at a European level to keep European industry competitive in those areas where European cooperation makes the difference. The European Commission's announcement of 22 January on European industrial policy is right on the mark. The common thread in the European Industrial Renaissance is strengthening the competitive position of European businesses. By increasing the scope within which businesses can operate (both on the internal market and in creating open markets elsewhere in the world). Priority in the internal market lies with the services sector and the digital internal market. These areas are also of main importance to our industry. We need to make full use of the mutual evaluation of regulated professions to further open the European services market. In order to create a digital internal market we have to modernise



copyrights, enhance cross-border e-commerce and the strengthening of trust and privacy within the internet economy without frustrating innovation. Another priority is to stimulate research and innovation and to link the business sector to programmes like Horizon 2020. We have to make sure that those programmes as intended, stimulate the translation of the Union's intellectual and scientific potential into new products and services that can be sold on markets. More participation of businesses in Horizon 2020 is crucial to achieve this goal. Furthermore lowering the cost of doing business (reducing administrative and regulatory burden) and better access to finance with more scope for the non-bank financing of the business sector are crucial for future competitiveness of European industry.

Level Playing field

The focus on a level playing field for European businesses is increasingly important, as businesses are faced more and more with competition from outside of Europe, including from emerging markets. In its recent communication on energy prices and costs (published on 22 January), the European Commission rightfully referred to the impact of energy prices in Europe on the competitive position of European businesses. The business sector has to cope with wide differences between EU Member States' energy policies that

threaten the overall competitiveness of European industry and especially the energy-intensive industries both within Europe as well as internationally. In this respect our most essential task is to complete our internal energy market and to fully implement the existing European regulatory framework. We must seek common answers to the challenges arising from the ongoing energy transition including the full market integration of renewable energy sources and the modernisation of our energy infrastructure. We must make a joint effort in striving for more competitive and open markets, cost-effective government policies and more flexible energy systems.

In some countries the business sector sometimes faces less detailed legislation. Or businesses in those countries get extra support from their government, which boosts their competitiveness. We must therefore keep a closer eye on the competitiveness of European businesses. Moreover, we must address practises that are harmful to the level playing field in the WTO framework, while avoiding to revert to defensive trade measures, as these will be of little help to the open European economy. It is important, however, to take a closer look together with the business sector at what we could do to tackle this matter. At the same time we must be alert to any worsening of the level playing field for businesses.

This sometimes occurs when European policy proposals increase the costs for businesses, thus eroding competitiveness. If we were to monitor more systematically the impact of policy proposals on the business sector's competitive strength, and then to allow the results to weigh more heavily in decision-making procedures, we would be taking considerable strides towards levelling the playing field for European industry.

Conclusion

In the coming period I will continue to strive for ambitious European industrial policy to complement the policy of Member States, with a focus on the internal market, innovation and research, reduced regulatory burden, open international markets, energy markets and access to finance. But that alone is not enough. In Europe, we will have to monitor our competitive position more closely to determine which factors underlie this process. Together with the business sector we can then determine what needs to be done, just as we have done in the Netherlands with our top sector approach. Creating a better competitiveness proofing that builds on our experience in regulatory burden is for me one of the focal points for the European industrial policy in the period ahead.



GETTING ACCESS TO EXTERNAL MARKETS FOR EUROPEAN INDUSTRY



Promoting Internationalisation of European SMEs: Two Years of Missions for Growth



Daniel CALLEJA

Director General of DG Enterprise and Industry, European Commission

We are seeing substantial economic growth in markets outside the EU. This is set to continue; it is estimated that by 2030 60% of world growth will take place in emerging economies. This creates opportunities for EU companies, but they must be able to compete in foreign markets.

Today only 13 % of our small and medium-sized enterprises (SMEs) are doing business beyond the borders of the European Union. To give more companies the chance to do business, the European Commission has set out to nurture direct contacts between EU entrepreneurs and foreign authorities and companies. This is why European Commission Vice-President Antonio Tajani launched his programme of "Missions for Growth", now entering the third year of a highly successful programme.

These missions open doors for EU companies in promising third countries through business-to-business meetings and giving them insight into the foreign administrative and regulatory environment in these countries, as well as giving industry representatives high-level access to host governments.

Missions for Growth have already taken place in seventeen different countries, in the Americas (US, Brazil, Argentina, Mexico, Colombia, Peru, Chile, Uruguay), Asia (China, Myanmar-Burma, Vietnam and Thailand), North Africa and the Middle East (Egypt, Morocco, Tunisia, Israel) as well as the Russian Federation.

Generally, a few months after Vice-President Tajani's missions, I visit the same countries, accompanied again by EU entrepreneurs, in order to ensure a follow-up to the discussions that were held and the agreements that were reached as well as to demonstrate the willingness of the European side to translate political agreements into concrete actions.

More than 800 participants representing more than 570 companies and business associations

from 26 Member States have participated in our Missions for Growth so far. We act to ensure a representative mixture of businesses from all the Member States: a typical mission has a delegation of 60-120 companies from around 20 different countries. Furthermore, we are striving to represent both smaller and larger enterprises: the business delegations so far have consisted of 42 % large companies, 36 % SMEs and 17 % European and national business associations. We are particularly happy with the growing proportion of SME's, particularly in light of the fact that only 13% are currently active outside the EU. For many smaller companies participation in these missions lends them more credibility and reliability in the eyes of potential business partners in third countries.

All manufacturing sectors are represented in these missions, in particular the construction, transport and real estate sector (10%), oil, gas and renewables (7%), medical devices and pharmaceuticals (6%), key enabling technologies (5%) and tourism (8%).

During these missions Vice-President Tajani has signed more than 70 Letters of Intent and Joint Declarations with national partners, to enhance cooperation and to work on common objectives, particularly in the areas of SME policy, tourism, regulatory issues and standards, raw materials policy, industrial policy cooperation, satellite navigation systems and space policies. The Commission is now working intensively on the implementation of these agreements.

We have already seen a lot of progress, ranging from the nomination of SME Envoys in countries such as Brazil, Chile, Colombia, Peru and Uruguay, to an acceleration of the transposition of European industrial standards as national standards in countries such as Morocco, Tunisia and Egypt. In the area of raw materials, we are organising the first regional EU-Latin America dialogue on raw materials, to be held in Peru in February 2014. In the area of space and satellite navigation,

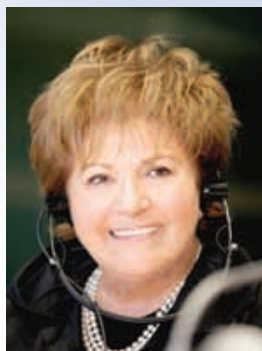
we want to work with many countries in order to make Galileo successful: as an example, the setting up of the Galileo Euro-MED cooperation office in Tunisia in October of this year can be instrumental in achieving such goals.

Many companies are starting to report clear business results from these missions. During the Mission to China, for example, there was a signing ceremony for a long-term cooperation project of five Danish companies and their Chinese counterparts, who agreed on cooperation in the biomass and bioenergy sectors – this has already generated €1,2 million in orders less than half a year after the Mission. In Tunisia, long term partnership agreements (2015-2020) worth more than €480 million were signed in the aeronautics sector on the purchase of ten airplanes.

More missions outside of the EU are planned for 2014, however in the first few months of the year we will concentrate on Missions for Growth within the European Union. These missions will take place in European regions marked by economic difficulties and high youth unemployment: the south of Belgium on 18-19 February, Italy (Campania and Sicily regions) and Greece in March, and Spain in April. We are confident that these missions, along with other planned missions outside the EU, will create many business opportunities for our enterprises and help them to become more competitive on both the EU and international markets.



Industrial Policy and Revival of Entrepreneurial Spirit in Europe



Amalia SARTORI

MEP, Group of the European People's Party (Christian Democrats), European Parliament
Chairman of the Committee on Industry, Research and Energy (ITRE)

The latest economic forecasts circulated by the European Commission exposed highlights and shadows relating the prospects of growth in the EU. Alongside the first signs of recovery in Europe, national diversity becomes apparent: in some countries, such as Italy, the ascent of 2014 will again be a steep one.

After years of negativity about the future, the indicators are showing us that the worst is over. Now we have to roll up our sleeves to recover the lost ground during this long crisis, identifying ways and solutions to bridge the gap created in terms of global competitiveness.

A strong debate on industrial policy is the only way to return to talk about growth prospects and to renew the European project. Over the past 20 years in Europe finance and industry have taken different paths, now we have to bind them and redirect them in the same route. We must reverse the slow process of industrial desertification, reviving the European manufacturing industry.

In Europe we have world leading champions of manufacturing, with Germany and Italy being the first two most powerful manufacturing States. Italy will lead EU Council in the second half of 2014 and this must be the chance to focus on two fundamental issues: industrial policy and revival of entrepreneurial spirit. Otherwise, challenges such as the economic recovery, employment, competitiveness and the well-being of the Union, are destined to remain unanswered.

Addressing these issues means becoming aware that in other parts of the world flourish thousands of new competitive businesses, every day. Here in Europe, today it is quite the opposite. We need to rebuild the trust of European citizens towards what insightful and long term policies can achieve.

A large part of the roots of the crisis is found in the growing difference of competitiveness between European countries, which make the European integration process go at multiple speeds.

Today we cannot reopen the process that has brought us to the Lisbon Treaty, and therefore we cannot now rethink and revise the Community's competences. Although, it would be what is needed to deal with today's economic reality. Therefore, we must do with what we are and have today.

Last year the Commission launched a strategy to re-industrialize Europe, with the big goal of moving 15-20% of GDP tied to manufacturing by 2020. This action is based on 4 pillars: more investment in innovation, training close to businesses, better access to credit and better and easier access to markets.

The European strategy focuses on a number of major areas that can act as umbrella in all industrial sectors on which to focus public resources – starting with the European funds – to attract private investment: clean transport, advanced production technology, bio-economy, space, technology key enabling smart grids, sustainable construction and raw materials.

As recognized in the Joint Declaration of 9 Ministers of Industry, which met in Paris in December, Europe must change through

more coherent reforms and policies for trade, the internal market, research, energy, the environment, and infrastructures. In order to rebalance and integrate actions for growth, with measures to make Europe more attractive for investment, the Fiscal Pact should be accompanied by an Industry Pact.

The next summit in March 2014 will be an important opportunity to define the industrial future of Europe. And we cannot do it if you do not look back on many of the fundamentals that until now were considered immutable, such as environmental policy. Perhaps it is time to think whether to continue with policies on emissions which help to increase the cost of energy in the world and penalize the industry.

In the last decade the EU has lost 350 billion euros of investment, halving its global share. The crisis has accelerated the de-industrialization. China is now close to overtake the EU as the first global manufacturer. Essential compartments of our production are likely to choose to relocate because we do not know how to create the conditions for them to remain where they are.

The Commission on last 22nd of January published a new communication calling for an Industrial Renaissance for Europe: let's reroute ourselves in the right path, starting with industry. Then employment, growth and better prospects will follow.



The European Union's Strategy on Free Trade Agreements



Jean-Luc DEMARTY

Director General of DG for Trade, European Commission

The EU's strategy for free trade agreements – and trade policy generally – is based on two facts: International trade is an essential component of growth in the European economy; and international trade agreements can help boost trade's ability to produce that growth – and the jobs that go with it.

In recent years the vast majority, some 90%, of global growth has been happening outside the European Union, and economists predict that will continue to be the case for the next 10 or 15 years. As a result, it is very important that we connect the European economy to the growth happening in other parts of the world and bring a share of that dynamism back to Europe. Exporting is the best way we have to do this.

Trade also supports growth through what we import. Two thirds of Europe's imports are of energy, raw materials and intermediate goods. We use them to make products for sale here in Europe as well as to make products we export around the world. 13% of the value of Europe's exports is first imported from other economies.

Despite these benefits, trade and investment today are not free. Over the last 60 years trade barriers around the world have come down, but a range of customs duties, restrictions on services and investment, discriminatory rules on public procurement and regulatory barriers to trade still stand in the way of effective access to markets and supplies. In different ways, that is the case with all of the European Union's trading partners. In March the European Commission will release its annual Trade and Investment Barriers report, which will demonstrate this clearly.

Taken together these facts argue clearly for an engaged and ambitious EU trade and investment policy that works to make international commerce

easier – both into and out of the European Union.

That is what guides the European Commission as it approaches these issues, under the scrutiny of the Council and the European Parliament. The result is a strategy that moves on all fronts:

Last year at the World Trade Organization the European Union helped secure the first multilateral trade deal in nearly 20 years. The package agreed at the WTO's ministerial conference in Bali will make trade flow faster in and out of the countries that need it most and provide an overall boost of billions of euros to the global economy.

The deal also sets the right atmosphere for the rest of the WTO agenda. The objective for this year is to work on putting the Bali deal on trade facilitation into practice. We will also establish a work programme for solving the bigger problems in the wider Doha agenda. Furthermore, WTO members are also working in parallel on a range of specific trade areas like environmental goods, trade in services and information technology equipment.

On top of this, the European Union has an unprecedented agenda of bilateral and regional free trade agreements. If we manage to seal all of these deals then we would have trade deals with strong rules that improve openness for almost 70% of our exports.

We are addressing the markets of the future through negotiations with countries like Vietnam, Thailand and Ecuador, as well as India and the Mercosur countries. We also put agreements with Central America, Colombia and Peru into practice last year.

With our second largest commercial partner China, we have just launched negotiations for a broad investment agreement that would tackle market access as well as investment protection. China is a hugely important destination for foreign direct investment, particularly as China moves toward reforming its economy. It is also more and more important as a source of investment for European firms.

In addition to emerging economies, the European Union is also bringing down trade

barriers with its developed partners. Last year, we reached a political deal with Canada, which should be ready for initialling in the coming months. We are also deep in negotiations with Japan, one of Europe's largest trade partners.

However, the negotiation which is receiving most attention at present is the Transatlantic Trade and Investment Partnership (TTIP) with the United States. The TTIP would be the largest bilateral free trade agreement ever concluded. It would cover a transatlantic economy that already involves millions of jobs, billions of euros of trade and trillions of euros of investment. It would also tackle an extremely broad range of trade barriers, from simple tariffs to the more complex costs of differences in regulation. Those differences will be the hardest nut to crack in this discussion: We need to find ways to remove barriers to trade while making sure Europeans remain protected against risks to their health, safety, environment and financial security.

TTIP is also the negotiation that links our free trade agreement strategy back up with the multilateral system. Because the EU and the US are such large players in the overall system, the solutions we find to these complex regulatory issues in particular can serve as a reference point for regulators and trade negotiators around the world. That can help prepare the ground for future work on these issues in the WTO.

Taken as a whole, this is a hugely ambitious agenda for trade policy, that will deliver significant returns in terms of growth and jobs for the European economy. Implementing it will require perseverance and creativity, not just from the European Commission, but from everyone involved in the process – Member States, Members of the European Parliament, stakeholders of all types and, of course, European citizens.

Energy, a Major Component of the EU Industrial Policy



Dominique RISTORI

Director General of DG for Energy, European Commission

Today, the European Commission is proposing to establish a bridge between energy policy and industrial policy. This is crucial since energy affects 90% of economic activities, in particular intensive industries such as steel, chemicals, cement, glass, paper, automobile and aeronautics.

This closer link is a clear orientation of the 2030 Climate and Energy package which has been adopted by the College on 22 January, and which includes a Communication on the 2030 Framework, a report on energy prices and costs, a legislative proposal for the structural reform of ETS, a recommendation on shale gas, and a Communication on industrial policy.

The package focuses on promoting a competitive low carbon economy. We should not oppose competitiveness and sustainability. By combining targets, flexibility and the regulatory tool, the 2030 framework aims at fostering the development of innovative technologies which are key to the competitiveness of the European economy as well as to ensure the shift to a low carbon economy. The situation of intensive industries is also taken into account with a clear orientation towards more market based support mechanisms for renewables.

A fundamental pillar in Europe's economy, and the driver of economic growth, industry accounts for over 80% of Europe's exports and 80% of private research and innovation. Nearly one in every four private sector jobs is in industry, and these are often in highly skilled areas of work. Furthermore, each additional job in manufacturing creates up to two full time jobs in other sectors. Investing in industries means fostering growth and competitiveness, and contributes to a strong and sustainable recovery. Aware of this, the European Commission has set the goal of raising the share of industry to 20% of our economy by 2020, in order to give Europe strong industrial base.

Energy policy is a prime mover in this strategy.

More renewable energy, more energy efficiency and more low-carbon technology will help make Europe more competitive, more sustainable and enhance our energy supplies. Eco-industries are a promising sector, representing already an annual turnover of 300 billion € and 3,5 million jobs. These principles are at the core of the Commission's Communication For a European Industrial Renaissance adopted on 22 January, which outlines Europe's post-crisis strategies for strengthening sustainable growth and modernisation.

Indeed, a renaissance in Europe's industry would be highly positive for the EU's economy, security and energy system. To make this happen, Europe needs to follow four key energy policy steps: complete the internal energy market; promote clean energy technologies and energy savings; support new investments in energy markets, particularly in energy efficiency, infrastructure and small and medium sized companies; and ensure energy policies have a favourable impact on prices and costs.

The internal energy market is key to European industrial competitiveness. Open markets are essential to encourage competitive energy prices, innovation and efficiencies. They enable consumers to find cheaper and better services and stimulate new business, leading to new markets. At a time of higher energy prices, the internal energy market is more necessary than ever to make Europe an attractive place for investments in industry. The EU is taking steps to ensure that the internal market can work better, for example, by tackling distorting effects of energy subsidies and price controls. New investments in infrastructure will help complete physical networks, to incorporate renewable energy into power grids and increase security of gas supplies.

Europe is also developing and improving clean, smart and efficient energy technologies. These will help industry keep their costs down, export to growing markets outside the EU and give European producers a commercial edge over competitors. Smart grids are a major priority for the European Commission. Horizon 2020 will invest up to nearly 6 billion euros in clean and low-carbon technologies. The European structural funds will invest at least 23 billion € in energy over the period 2014-2020, making Europe's regions more attractive

to industrial investors. Some 5,8 billion euros will be available to stimulate investments under the Connecting Europe Facility, including in smart networks.

In this way, the EU's energy policy is supporting enterprise, encouraging new investments in industrial efficiencies, small and medium sized firms and new energy services and products. Technology platforms and collaborative projects are helping Europe's companies benefit from the energy transformation. We are also paying more attention to the difficulties of energy intensive companies, who have to compete with companies based in countries where industrial costs are much lower. International competitiveness has become a buzzword for European energy policy.

Finally, energy policy is paying more attention to energy prices and costs. This is particularly important for small and medium sized companies and energy intensive companies. It is essential to reform the ETS to avoid carbon leakage. In line with the Commission's proposals for the 2030 energy and climate framework, new indicators will be introduced to assess the impact on prices and the competitiveness of new proposals. The Commission's report on energy prices and costs will help policy makers understand the causes and impacts of higher energy prices, and how to mitigate them. In particular, a distinction should be made between wholesale energy prices in Europe over the period 2008-2012 on the one hand, which have been stable or decreased (wholesale electricity prices are at a record low since 10 years, comparable to US prices) and retail prices on the other hand, which have significantly increased over the same period due to taxes, levies and network costs. Here, energy efficiency also plays a vital part, helping to reduce costs for the user, and create local jobs and energy service businesses in the process.

Energy policy is a major component of Europe's industrial strategy. Not only is it helping to build up innovation, enterprise and efficiency in the energy sector. It also gives firms from all sectors access to more diverse, competitive and cleaner energy supplies and makes Europe a more attractive place for companies to invest. The energy policy developments induced by the 2030 package will definitely help Europe deliver its commitments on industrial policy.

Industrial Policy's Diamond in the Rough: Modern State Aid



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The EU's economic situation is difficult. Forecasts say it is slowly emerging from its longest-ever recession. It's unclear when we really shall see the light at the end of the tunnel. In the meantime, social precarity continues to grow unabated while the environmental crisis is having a hard time making headlines in spite of the fact that the risks of global climate change are becoming more obvious than ever.

This triple crisis creates insecurity. It undermines Europe's innovation potential, social talent and its competitiveness. Industrial investments remain low. To counter the crisis, the European Commission has not only put forth its Europe 2020 Strategy but it has spearheaded an integrated industrial policy for Europe. This flagship initiative is focusing on an array of instruments ranging from access to finance, skills and human capital, to research and development, trade and the single market, in order to foster sustainable growth. One important tool in this policy toolbox, however, is often not discussed in this context: state aid.

EU state aid rules, which determine whether a government is allowed to give support to a company, sounds like an extremely dull topic. It isn't. Instead, it is an issue that lies at the core of industrial policy. The transformation to a low-carbon and resource-efficient economy, a goal set by the European Commission, will require major increases in investment, rapid innovation and the creation of new markets across Europe.

Market forces left to themselves will not drive this economic and social transformation. What is needed is an effective and modern state aid framework that sets the necessary conditions for an efficient transformation. State aid that promotes fossil subsidies and structurally conservative subsidies are rigging the market and inhibit future-oriented competitiveness and innovation. Instead we need a modernised state aid framework that removes support for inefficient and polluting industries and opens markets to competition,

innovation, new entrants and creative business models.

The EU is currently revising its state aid rules as well as its environment and energy aid guidelines. This is a chance to align them with an ambitious, forward-looking industrial strategy; an adequate reform of state aid rules would provide an excellent opportunity for promoting a transformation of the economy. A study by the UK think tank E3G and commissioned by my Group the Greens/EFA in the European Parliament, makes relevant recommendations in this context.

For example, every year the European Union's energy import bill comes to around €570 billion. State aid rules could help advance energy efficiency measures and indigenous renewable energies in order to alleviate this financial burden, create new dynamic and innovative markets, and improve our climate balance.

An effective exploitation of cost-effective energy efficiency in European buildings could save over €50 billion per year. It is estimated that in order to reach the Europe 2020 efficiency goal, investments between €35-65 billion are needed. But only a fraction of this is taking place.

In order to help leverage these private investments, energy efficiency schemes need to be promoted. As such, in the context of the EU's environment and energy aid guidelines revision, the Commission could ensure that an energy efficiency block exemption is created that exempts energy efficiency measures from initial state aid notifications and investigations if they have been listed in the National Energy Efficiency Actions Plans. The European Parliament has taken this recommendation on board and is calling on the Commission to create such a block exemption in my report entitled "Reindustrialising Europe to promote competitiveness and sustainability".

A similar approach could be used for measures aiming to incentivise transformational

improvements in resource efficiency in product markets. In order to limit abuse of such an exemption, the measures could then be monitored via stronger ex post enforcement procedures.

State aid guidelines should also help national renewable energy support policies but not dictate which precise instruments should be used. The renewable feed-in tariff that the German Greens started implementing in 2000, for example, has been a veritable success. This particular form of state aid created new markets with a new class of entrepreneurs. The Commission has the right to investigate this mechanism as it evolved under latter conservative governments; but this successful policy itself should not be questioned.

The new guidelines should also facilitate a phasing out of fossil fuel subsidies and support a transition in energy-intensive industries. State aid must not be an antiquated instrument that simply conserves uncompetitive companies. Subsidies provided to companies must have strings attached



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that advance reforms and innovation in order to ensure that these companies are competitive and can stand on their own in the future and do not remain dependent on public coffers.

The European Commission's review of its state aid regime is an opportunity to put it in line with an ambitious industrial policy that leads to a renaissance of industry for a sustainable Europe. We should not let it go to waste.

Intellectual Property Rights in the European Industrial Strategy



Jonathan FAULL

Director General of DG Internal Market and Services, European Commission

Intellectual property rights (IPRs) play a crucial role in Europe's industrial strategy: in the EU, about 39% of the total economic activity (worth some €4.7 trillion annually) is generated by IPR-intensive industries, and approximately 26% of all employment (56 million jobs) is provided directly by these industries, while a further 9% of jobs stems indirectly from IPR-intensive industries¹. More than 73 million people in the EU-28 (almost one-third of the active population) were employed in science and technology occupations in 2012.² Clearly, the importance of IPRs

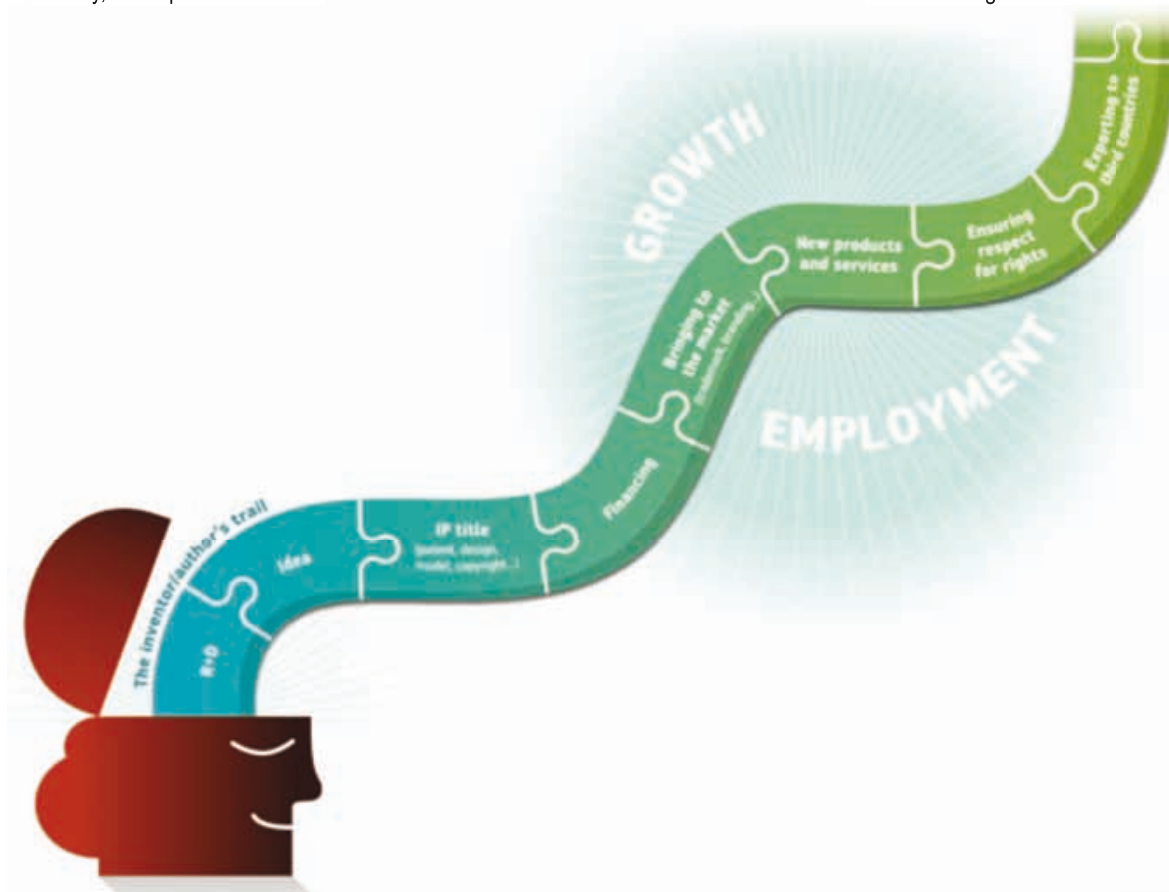
in stimulating innovation and creativity cannot be underestimated. Creation and know-how are central in Europe's quest for growth and jobs, which passes through a thriving industry.

Europe relies heavily on its intellectual capital and its human resources, people who are highly skilled and educated, not only because of its relatively few natural resources, but also because this is inherent in its history and vision of its place in the world. At this particular juncture, Europe has no choice if it still wants to compete globally. We would indeed be committing a big mistake if we were to look complacently at the figures I mentioned above.

In our increasingly knowledge-based economy, we do not just need technical skill and innovation; we need superior technical skill and innovation, which in practice means a sound IP infrastructure. That is indispensable for the EU to attract and invest in the creative and innovative talent that

is the real source of growth and sustainable employment. From regulation to registration and enforcement, efficient IP protection ensures, all along an inventor's or creator's trail, that they have sufficient incentive to bring their works to the market and to build on the innovations and creations of others for the benefit of society. Conceptually, IP infrastructure is as important as labs, testing grounds, ICT, transport, access to finance infrastructure and so on. And in the same way, it has to work in a seamless, integrated Single Market. That is the only way to release the potential of European investors and creators and empower them to turn ideas into high quality jobs and growth. It multiplies their opportunities by 28, 31 in the European Economic Area, and even more if we get our trade negotiations right.

IPRs are a crucial factor in the inventor/author's trail: from the creation of ideas to their translation into knowledge and inventions which promote



innovation and economic growth, IPRs provide the necessary stimuli for innovation, encouraging investment and spreading technology and other knowledge in socially beneficial ways. It means that those who come up with ideas can be confident enough to share them with others (collaborative innovation), in the market or in the public domain. The positive relationship between intellectual property and economic performance has been demonstrated by empirical studies³.

In all this, the Commission's primary goal is to improve constantly and develop further the IP infrastructure of the Single Market in order to provide the right tools, protection and incentives to creators and inventors, so that they are able to attract funding and sustain welfare-enhancing innovation in the interest of all EU citizens. The economic potential of IP increasingly depends on the ability of multiple IP owners to collaborate and license technologies, products and creative content and to bring new products and services to consumers. This requires a holistic and coherent IPR legal and economic framework.

This is the main thrust of the 2011 strategy for a "Single Market in Intellectual Property Rights". The Commission's aim is to remove obstacles to the functioning of the Internal Market in respect of the whole business cycle of companies, along the inventor/author's trail all the way from raising funds for R&D, to the legal recognition and registration of IPRs and then to their exploitation and enforcement. The Commission has already taken several initiatives to overcome hurdles on the trail, for example creating a unitary patent, proposing trademark reform, adopting a proposal for a directive on collective rights management and multi-territorial licensing of rights in musical works for online uses, fostering the "Licences for Europe" stakeholder dialogue where industry pledged solutions to bring more online content to all Europeans, proposing the draft directive on the protection against misappropriation of trade secrets, and brokering Memorandums of Understanding to prevent commercial-scale IP infringements on the internet, applying the way

"Follow the Money" principle.

One of the instruments that will contribute to this world-class IP infrastructure is the unitary patent, which will allow companies to have a pan-European right in this field (unitary patent protection for 25 Member States) thereby reducing complexity and cost both for registration and enforcement (with a single specialised jurisdiction – a first!). The current review of trademark legislation will help clarify that new forms of trademarks, such as those which are perceived by the sense of hearing (i.e. sound marks), are recognised in EU law. The proposal on redress against the misappropriation of trade secrets will harmonise the law of the Member States regarding the definition of trade secrets and their misappropriation, the civil remedies available to trade secret holders who suffer misappropriation, and the judicial measures to avoid leakage or disclosure of trade secrets in the course of civil litigation on trade secrets misappropriation. This will reinforce the economic incentive to innovate, combatting the severe long-term knock-on effects on innovation, investment, jobs and growth of ineffective redress against this form of free-riding and unfair competition. The Collective Rights Management (CRM) Directive will provide urgently needed solutions to facilitate the licensing of copyrighted music works across the Internal Market, ensuring that right owners are properly compensated for their creative works and that they have a say in the way income from licensing is managed.

As announced in its Communication on content in the digital single market of December 2012⁴, the Commission is also about to complete its on-going review of the EU copyright legal framework. There, we need to understand how we can adapt the current system to new digital uses, address territoriality issues and make sure right holders keep creating as they see the incentives to do so.

All in all, this is a lot of work, but more than worth it when we consider that by investing in innovation and creativity we're paving the way

for the next generation not only to benefit from the transformational potential of our industry and society, but also to meet the challenges and seize the opportunities of the 21st century.

1. Source: study "Intellectual Property Rights intensive industries: contribution to economic performance and employment in Europe" (September 2013) carried out jointly by the European Patent Office (EPO) and the Office for Harmonization in the Internal Market (OHIM).

2. Source: Eurostat

3. For example, Greenhalgh, Rogers and Schautschick (2011) find that firms that are active in acquiring patents and trademarks are sustaining larger workforces through time and paying higher average wages than inactive firms. Hu and Png (2013) find evidence that stronger patent rights are associated with faster industrial growth measured by value added. Helmers and Schautschick (2013) find some positive correlation between owning patents as well as trademarks and a firm's performance, which is measured by the growth of total assets.

4. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012DC0789:EN:NOT>

Going Where the Growth Is: Call for a European Economic Diplomacy



Arnaldo ABRUZZINI

Secretary General of EUROCHAMBRES

Europe needs to find new sources of growth to create jobs and prosperity. With 90% of global growth expected to be generated outside the EU, it is clear that a more ambitious international strategy is required, to develop a coherent and effective response to the challenges of globalisation; to make sure these challenges can be turned into opportunities.

Our ambition must be to build a coherent system of European Economic Diplomacy (EED), safeguarding and promoting the European economic interests around the world. This strategy should build on 3 pillars: Advocacy (stronger defense/promotion of our economic interests in third countries), Service (support to European business in accessing third markets), and Visibility (better promotion of the European brand outside Europe).

This ambition should be achieved by adding a European dimension to existing national and regional strategies, by pooling resources and capacities where appropriate, in a spirit of subsidiarity and complementarity, and ensuring coherence of actions across all levels, both “vertically” (regional – national – European) and “horizontally” (public sector – private sector).

In pursuing this strategy, it is clear that a strong focus must be put on the needs of SMEs. Only 13% of EU SMEs are engaged in international

(extra-EU) trade; they often lack information, resources and skills to enter fast growing, but yet challenging markets in Asia, South America and even Africa.

Several concrete initiatives have been taken recently: creating business support centres in emerging markets, organising “missions for growth”, stimulate the creation of European Chambers in third countries, mapping existing support services, support cooperation between clusters and innovation centres, organise training for business organisations, etc. Some of these initiatives have emerged from the private sector themselves, others have been launched at EU level.

EUROCHAMBRES is actively involved in many of these initiatives, mobilising its network of Chambers in Europe, but also bilateral Chambers already established in third countries. Pooling existing resources, adding EU value and ensuring private sector ownership are some of the key principles that we adhere to in these actions.

Pursuing this strategy requires diplomacy and vision, overcoming national and sometimes personal interests. It also requires strong coordination between all the stakeholders involved, both in Europe and in the third countries. We should match the demand for support of our companies here in Europe, with the supply of services – support and advocacy services – provided in these target markets. To this end, EUROCHAMBRES has called for the creation of a coordination platform, where all stakeholders can join and

gradually develop a single strategy at EU level.

All this takes time, but Europe does not have that much time. Relations with many of our key partners have become “complex”, and our leading role in the global economy is under pressure. New “centres of gravity” are being developed, e.g. in the Pacific area. To maintain our competitive edge, it is time to join forces. Or quoting the EU High Representative: “If we pull together, we can safeguard our interests. If not, others will make decisions for us.”

Arnaldo Abruzzini is Secretary General of EUROCHAMBRES – the association of European Chambers of Commerce representing 20 million enterprises and 45 member associations.

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 98% of which are SMEs – through members in 43 countries and a European network of 2000 regional and local Chambers.

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Reciprocity in Access to Public Procurement Markets: the EU Must Stop Burying its Head in the Sand!



Philippe JUVIN

MEP, Group of the European People's Party (Christian Democrats), European Parliament

The adoption by the European Parliament in Plenary in January 2014 of the proposal for a Regulation on reciprocity in access to public procurement markets¹ sounds the death knell of the "naïve" Europe: at last, a legal instrument aimed at ensuring a transparent and non-discriminatory access for EU firms to public procurement contracts abroad is born. Negotiations with the Council will be tough, as Member States are deeply divided. An agreement will have to be found between the European Parliament, the Council, and the Commission to turn it into EU law. However the European Parliament clearly banged its fist on the table: it is now time for the EU to stop burying its head in the sand.

According to the Commission, while almost 85% of EU public procurement market is open to third-country bidders, reciprocity is far from being the rule (respectively 32% and 28% of the US and Japanese markets are open to foreign bidders). Some of the EU's trading partners have introduced protectionist measures restricting access to their market for foreign bidders (e.g. "Buy national"-type of measures adopted in the USA, Brazil, China, etc.). Lack of transparency in procedure and discriminatory practices put EU firms at a clear disadvantage. Restrictions in access to third countries' public procurement markets imposed on EU firms (legislative or regulatory provisions; national practices) question the very principle of fair competition and balance in trade relations.

The effective openness of EU public procurement markets has sometimes been questioned, and raised as an argument to oppose any action to ensure better reciprocity. However what is at stake here is first and foremost a legal issue: public procurement markets must be open from a legal point of view; this is what ensures enough security and stability for economic operators to set up an efficient strategy to access third

countries' markets.

Why calling for reciprocity in access to public procurement markets? First, all bidders must be treated on the same footing; transparency and non-discrimination must be guaranteed. Unfair competition results in the – not so – long term in the disappearance of firms which are complying with the rules in their own country but are denied economic opportunities abroad, while their foreign counterparts have access to their market while benefiting from protection at home. The creation of a true level-playing field is crucial. Second, public procurement markets all over the world are estimated to represent roughly 10% to 15% of the world GDP. Improved opportunities for EU firms to compete for public procurement contracts abroad are key to preserving EU competitiveness and employment. Third, reciprocity requirements would reinforce the EU's negotiating position in international trade discussions.

However, calling for reciprocity must not remain an empty political incantation. The EU must roll up its sleeves and take action. The Commission's proposal² is a major step forward in this regard. Indeed, the current European legal framework suffers from several flaws. Directive 2004/17/EC³ allows contracting entities to refuse a tender from third-country economic operators not covered by any multilateral nor bilateral agreement concluded with the EU and ensuring reciprocal access, in the case of a supply contract when foreign goods exceed 50% of the total value of the products constituting the tender. But the scope of application of those provisions is limited to the utilities sector (water, energy, etc.), which represent only about 20% of the total value of EU public procurement. Moreover, the final decision remains within the Council's hands. Consequently, no decision to reject a tender has been taken on this basis so far. Restrictions are also included in the Defence Public Procurement Directive (2009/81/EC)⁴ given the sensitivity of this field. But apart from those provisions, EU public procurement markets are open. At international level, the Agreement on Government Procurement signed in 1994 within the framework of the World Trade Organization includes currently only 15 signatories (out of 159 WTO members), and has not succeeded in covering major emerging countries

so far (e.g. China, India, Brazil). The EU is nonetheless trying to secure reciprocal access in public procurement markets throughout free-trade agreements negotiated on a bilateral basis (e.g. with Korea, Colombia, Peru, Mexico, etc.).

The Commission's proposal is therefore the sign that Europe is waking up in the face of repeated discriminatory and protectionist measures taken by some of its trading partners. It provides for the possibility to exclude tenders from third countries that keep their door shut to EU economic operators, for public procurement markets whose value is above a certain threshold. Reciprocity must not be understood as a blunt and automatic instrument to reject foreign tenders. Clear and transparent conditions must apply, control must be exercised by the Commission, "collateral damage" must be avoided on the least developed countries (protection of their own infant markets to ensure their proper development to later face international competition). In this regard, the text adopted by the European Parliament in January further improves the initial legislative proposal and constitutes a balanced compromise.

However, what is needed is much more than a clear and pragmatic legal framework ensuring reciprocity. What is needed is a change of paradigm from naïve optimism to a reality check: the EU must at last consider itself as a key actor on the international scene and be ready to assume its role as an international economic and political player. It must claim what it has a right to claim – i.e. fair competition and balanced trading relations – and stop saying "sorry" for this.

1. COM (2012) 124 final

2. COM (2012) 124 final

3. Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (articles 58 and 59)

4. Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC

INVESTMENT IN INNOVATION



Europe Urgently Needs an Industrial Compact for the Future



Markus J. BEYRER

Director General, BUSINESSEUROPE

Europe is losing ground in an ever more competitive global environment where emerging economies are rapidly developing. To win the competitiveness battle that threatens the ability of Europe to maintain citizens' living standards, we need a strong and innovative manufacturing base and highly performing related services. Europe must support companies in their efforts to increase their market share in the global economy. Otherwise, Europe will not achieve higher growth and more jobs. Outside Europe, companies carry a much lighter weight of regulatory and tax constraints.

This is why BUSINESSEUROPE says that European institutions and Member States urgently need to agree on an Industrial Compact for Europe. This means a 360° strategy based on a shared vision that industrial competitiveness is a prerequisite for maintaining a high standard of living in Europe. This Compact must provide competitive framework conditions that facilitate the growth of the more than ever interlinked European industry and services, drive investment and trade, support dynamic enterprises and enable the development and commercialisation of innovative technologies. We have the means to compete successfully in the global economy.

Our continent is the cradle of industrial societies. The Single Market is the world's largest market with a GDP of more than €12.6 trillion. Production in Europe increasingly entails value chains involving a range of countries, with each country specialising in one or more stages. The EU's capacity to innovate together, building on the positive multiplier effects triggered by front-running companies, can guarantee a strong position in the face of global competition.

In setting the target of increasing the industrial share of Europe's GDP from its current 15.3% to 20% by 2020, the European Commission has rightly highlighted the need to put Europe's industry back onto a path of growth. European companies

are striving to be more competitive and to make our continent more innovative. But, to achieve this ambitious goal, EU leaders must swiftly address the bottlenecks which undermine the cost-competitiveness of European industry due to a propensity to over-regulate and impose multiple layers of labour or environmental taxes and levies on companies.

For this reason BUSINESSEUROPE calls for a strengthened industrial growth governance. At the end of January at BUSINESSEUROPE Day in Brussels we made concrete recommendations in seven policy fields where progress is needed.

The revitalisation of European industry rests on the creation of the right framework for companies to develop their full potential. Industrial competitiveness must be prioritized and mainstreamed throughout all policy areas, at all institutional levels and along the entire industrial value chain. The spring European Council should annually review progress on industrial competitiveness. The role of the Competitiveness Council should be strengthened and the European Commission should develop a new internal governance in order to structurally put industrial competitiveness at the centre of its policy making.

The EU also needs to reassess its approach to energy and climate policy in order to reverse the "investment leakage" trend. It should learn from the high cost lessons, game changers such as the shale gas revolution in the USA and the very limited progress in global climate talks. The 2030 greenhouse gas emissions reduction target must be realistic and adaptable to the 2015 international climate negotiation to avoid placing the EU as an isolated front runner continuing raising its level of ambition while it hasn't delivered the expected comparable efforts by our main global competitors.

Having our global competitors in mind: European companies press for an ambitious EU internal and external trade policy. The EU must not miss the opportunities offered by the ongoing negotiations with the United States. But we also need to think in terms of a global Europe, as our Single Market has the potential to serve as a springboard for companies to seize the opportunities of the global market. Therefore, the enforcement of Single Market rules and the fight against protectionism must be prioritised.

In most European countries the manufacturing

sector is the main source of research and development. Innovation increasingly relies on cooperation among businesses. Incentives for cooperation between companies and research institutes in networks and clusters should therefore be improved in order to facilitate the commercialisation of innovation.

Europe also must develop a strong and efficient infrastructure. It serves as a key enabler for businesses to participate in international value chains. BUSINESSEUROPE urges to remove the remaining regulatory, administrative and technical barriers in all modes of transport to ensure access to adequate infrastructure facilities.

A properly functioning banking union is urgently needed. It will lead to deeper and more liquid markets, more resilient to financial shocks, and better able to support cross-border trade and investment. We must also highlight the issue of companies' access to finance on reasonable terms. This is vital for the survival and growth of companies of all sizes. Therefore, restoring normal bank lending conditions across the EU, as well as strengthening non-bank financing routes urgently needs to be addressed.

Of course, European companies' success doesn't depend only on the availability of finance but on the availability of a well-educated and flexible workforce. To ensure open, dynamic and mobile labour markets, reforms must be implemented which focus on stimulating job creation and employment participation, smoother labour market transitions, and better allocation of labour based on employers' needs. Achieving growth, productivity, and a better match between skills and jobs in Europe relies on a more effective management of human skills, indeed. Therefore the overall objective should be to provide the skills needed to foster Europe's industrial growth.

We believe that the beginning of the next five-year European legislative term is a unique opportunity to define the elements of a comprehensive industrial strategy for Europe. BUSINESSEUROPE therefore called on the European Council in March 2014 to agree on an ambitious, action-oriented Industrial Compact and calls on all European institutions and Member States to contribute to the implementation of this Compact over the next political cycle.

We must act now, tomorrow will be too late!

Developing a Competitive European Defence Technological and Industrial Base: a Strategic Priority for the EU



Arnaud DANJEAN

MEP, Group of the European People's Party (Christian Democrats), European Parliament

The European Council that took place last December and that partly focused on Defence matters, aimed at answering one question: Will the EU rise equal to today's challenges and gives itself the means to deliver meaningfully in the field of defence and security? The answer, if Head of states and governments gave us one, was rather disappointing. In a context characterised by severe and lasting and fiscal constraints, a US foreign policy shifting focus away from Europe and the rise of multiple new threats, the EU needed a strong engagement from the Member States, a new impetus able to provide answers to irrevocable processes. Unfortunately, this did not happen.

One of the three main goals of the Defence Council of December was to explore ways to strengthen Europe's defence industry. In their conclusions, Head of states and governments fully acknowledged the importance of developing a strong and competitive EDTIB. To address this issue, the Council made some 'first step' engagements, for instance to promote research and technology for dual use applications, the development of defence industrial standards or to support SMEs' access to national markets. Some welcomed those engagements as impetus for the future elaboration, by the European Commission

and the European Defence Agency (EDA), of concrete proposals. On the contrary, one could also regret that no real concrete proposals and measures were put on the table.

Indeed, heads of states and governments could have seized this opportunity to substantially pledge for a robust European Defence Technological and Industrial Base (EDTIB). This could have been done by taking strong political commitments, for instance supporting the idea of coordinating the planning of national defence budgets (through the set-up of a 'European Semester' for defence issues), or demonstrating a clear willingness to provide incentives and support to defence industries, though the adoption of a concrete measures (tax incentives, financial support to research and development, the institutionalization of synergies between civilian and military capabilities...). Here instead, Member States waste time doing nothing.

And yet, developing a competitive EDTIB is a matter of emergency for the security of Europe and its citizens. At the level of Member States, heavy economic and financial constraints burden national budgets, leading to severe defence budget cuts. The impact on the industry is heavy, and we can already witness within some important companies a general rebalancing of activities, with a scale back of military activities for the benefit of civilian ones. For instance, the Franco-German group Airbus, announced last December the suppression of 5800 posts within its military branch (previously composed of Cassidian, Airbus Military and Astrium - today reunited in Airbus Defence&Space), rebalanced with the

creation of 2000 posts in the civilian activities of the group (Airbus and Airbus Helicopters)...

This is extremely risky for Europe's defence and security. It is our autonomy that is at stake, here; our ability to secure our security on our own. Indeed, it is from our ability to produce our own defence systems, technologies and capabilities that we can insure our citizens' security. What will we do when no States in Europe will be able to produce the necessary military assets to engage in operations and missions around the world? The EU already critically lacks strategic military capabilities: The operation in Libya, for instance, relied massively on American strategic capabilities such as air-to-air refuelling or suppression of enemy air defences capabilities. The current state of affairs will only make the situation worse and this is unsustainable: considering both the US strategic pivot and the rise of world insecurity, the EU cannot afford to rely on others when the security of its citizens and of its neighbourhood is at stake.

Hence, supporting the defence industry through the development of a EDTIB that is more inclusive, sustainable, innovative and competitive – all stated goals by the December Council – has a strong essential strategic dimension, that should not be forgotten. The aim behind supporting defence industries exceeds the own defence industries' interests to touch at the heart of the security of Europe. As such, EU Member States must urgently materialize the engagements they took with the December Council conclusions, and give themselves the means to reach the goals stated.



Creating European Champions through Industrial Policy



Nathalie ERRARD

Head of Europe and NATO Affairs, Airbus Group

The term industrial policy is outmoded for the 21st century European Union. Yes countries like China, Russia, India and the United States follow an industrial policy, but we, the EU, face a unique situation. The question we face is not whether we need an industrial policy but how and who should carry it out? The 'who' question revolves around the need for a concerted European industrial policy that does not run along national lines whilst the 'how' takes into account the contemporary industrial landscape in Europe. As today's economic development is characterized by transformations that result in innovation-led productivity improvements, which in turn translate into knowledge-based economies, Industrial Policy is essentially Innovation Policy.

Often quoted as an example of a European industrial Champion, the Airbus Group welcomes the European Commission's initiative to put Industrial Policy high on the agenda ahead of the European Council in March 2014. This being said, at a time when the Commission is calling for an "Industrial Renaissance" we must not forget that this is not the first ambitious political text. The initial Industrial Policy Communication, issued in 2010, has unfortunately not seen enough implementation. This could stem from the fact that Industrial policy remains controversial and is viewed by some as 'new interventionism' in which markets are artificially distorted. However, I believe the notion of an Industrial Policy moves beyond the traditional application of favoring certain sectors or companies and instead mixes a 'horizontal approach' focusing on pro-market reforms with some 'vertical approaches' of concentrating on high-growth industries.

In order to produce an industrial policy with a solid 'horizontal' foundation we must focus on our competitiveness. If we are to seriously do this, industry requires a seat at the decision

making table as a key strategic partner in building Industrial Policy. We have a clear picture of what we need: (1) innovation from upstream work to industrialization and from Key enabling Technologies to European projects; (2) the respect of intellectual property rights; (3) the redesign of state aids for R&D; (4) a lighter, predictable and stable regulatory environment; (5) a level playing field for European companies on the global market; and (6) a reduction of energy costs.

As part of its 'vertical approach' in which focus is placed on certain industries, the Commission should aim to provide measures which will catalyse the growth of an industry and fuel technological innovation. In February 2013, the Commission followed through by issuing an Industrial Policy for the space sector. This comprehensive policy is applauded for a number of reasons. Firstly, the Commission has genuinely understood the specificities and constraints of the space sector – naturally a prerequisite for any successful policy measure. Secondly, the recognition that the space sector will contribute to economic growth and employment, via highly-skilled jobs located throughout Europe as well as having spillover effects into other industries. Thirdly,

the Commission's analysis of threats clearly demonstrates the necessity to act. Lastly, the Commission develops a comprehensive range of measures which fall under its competence, to form a coherent regulatory framework in support of R&D, increased usage of space solutions for its own services, the use of innovative financial instruments and the right procurement policy. Taken together, the measures outlined for the Space Sector should be used as a blueprint to draw up a sector specific industrial policy for the aerospace and defense industries as these too stand to act as a springboard for high-tech innovation.

The essence of the EU's economic development is structural transformation, the rise of new innovative industries to replace traditional ones. However, this is neither easy nor an automatic process. Industrial Policy, if implemented, stands to trigger a new phase in European manufacturing. Thus far, too little has happened on the ground. We need the European Union to deepen the links between industry and politics. I cannot say it often enough or loud enough: Airbus Group is an example of European industry at work. It can be done.



How EIB Group Strengthens Financial Assistance for Europe's Industrial Competitiveness



Philippe DE FONTAINE VIVE

Vice-President of the EIB, the European Union's financing institution

With the Growth Pact adopted in June 2012, the European Council took the initiative in managing the financial and economic crisis: in parallel with a focus on budgetary orthodoxy, the Heads of State and Government aimed to breathe new life into growth and employment in Europe. The Council was thus innovative in two respects: (i) by placing the EIB at the heart of this approach through a capital increase that is expected to help generate additional investment worth €180 billion in Europe by 2015; and (ii) by making this effort part of a philosophy of financing the economy, thereby moving away from a grant-based culture. In the light of the EIB's positive response to the crisis over the period 2009-2011, the Council decided to allow greater synergies between budget resources and EU lending to increase risk-taking in support of innovation and economic development in businesses.

Over the past decade, the technological rise of emerging countries and the IT revolution in a globalised economy have led to the European economy becoming less competitive in relative terms, particularly in medium-scale industrial segments and to the detriment of the least competitive regions. Thus, Europe has lost 3.6 million jobs in industry over the past five years and its rate of industrialisation has fallen to 15.1%.

How can the Union cope with such challenges against the backdrop of widespread fierce competition in today's world? Through greater cohesion and economic integration, making Europe on regional group that can push itself to the forefront of the global economy, but also by strengthening its competitiveness via a 'knowledge society' that fosters innovation. The Lisbon Strategy adopted

by the European Council in June 2000 previously embodied this three-pillar approach:

- mobilising 3% of GDP in support of innovation in order to boost our ability to create new technologies and market new ideas;
- modernising the education system to bolster our collective capacity to innovate and adapt;
- managing the continent's energy transition by setting the 3x20 objectives: a technological aim combining society's support with reindustrialisation built on new foundations.

Revised in March 2010 to take account of the severe impact of the crisis, this policy was called the Europe 2020 Strategy and added objectives in the areas of social priority (job creation and poverty reduction) and decentralisation of decision-making (involvement of civil society). Structural policies needed to be reinforced to mitigate the impact on the most deprived members of society of opening up to international markets and modernising the Union.

To achieve this goal, the EIB Group has drawn on all its financial firepower: since 2000, the Group has invested nearly €130 billion in the EU in support of technological innovation (R&D and RDI), more than €45 billion in human capital development and some €25 billion in the upgrading of IT networks (in particular, very high-speed networks). At the same time, the EIB Group has devoted over a quarter of its financing to speeding up energy transition: renewable energy, energy efficiency of cities and transport, etc.

It must be acknowledged, however, that the results have failed to meet the objectives, especially in terms of bringing industry's share in the Union's GDP back up to 20%. The main reasons for this are (i) the difficulty for our economies to tackle head-on the change to a new industrial model and offset the impact of the global financial crisis – safeguarding jobs despite the relocation of medium value-added manufacturing activities; (ii) the difficulty in prioritising investment in sectors with a high innovative and technological content; (iii) the mobilisation of public finance for counter-cyclical purposes in response to the crisis; and (iv) the continued funding of our ambitious social welfare systems.

As Europe's economy gradually gets to grips with the global financial and economic crisis, the EU and its Member States must redeploy their industrial policy in accordance with two key priorities: (i) ensure that our position in the global value chain enables us to keep within Europe the most technological sectors of industry that have a catalytic effect on innovation (see box); and (ii) supply the infrastructure to allow the economy to operate smoothly and competitively in global terms.

To facilitate these changes as we emerge from the crisis, we must also restore our financial industry's ability to collect and transform savings into long-term finance. The European Investment Bank has therefore chosen to rethink its response to the crisis in order to ease the financial constraints faced by project promoters



and create a favourable economic environment for the mobilisation of private investment in the long term.

As part of the EU's economic stimulus plan, the EIB has undertaken to increase its annual lending volume by 40%: some €20 billion will be earmarked for innovation each year for three years to finance the revival of industry in Europe. This EIB financing will be centred on two initiatives: (i) Innovation 2020, which specifically targets innovation in the field of "clean" and digital technologies and (ii) the Growth Finance Initiative (GFI), which aims to foster partnerships between R&D centres and companies and enable the simultaneous use of various financial products – senior and subordinated debt, risk sharing loans, quasi-equity.

Over a hundred firms have been financed under the Risk Sharing Finance Facility (RSFF), jointly developed and financed by the Bank and the Commission. At the same time, the Bank is helping to boost young people's qualifications by financing training structures and programmes – both university and vocational – as well as bursary systems promoting pan-European qualifications and mobility.

SMEs and midcaps are also an important target under the Bank's policy of financing the knowledge society in Europe, reflecting how

essential these firms are for the design and diffusion of new technologies. In 2013, the EIB and the EIF, its subsidiary specialising in venture capital for SMEs, extended their range of financial products and introduced a risk sharing facility tailored to banking intermediation of our products offered locally to SMEs. With €21 billion provided by the EIB Group in 2013 to SMEs, nearly 180 000 small businesses and midcaps benefited from EIB or EIF financial support throughout the Union.

To remain accessible to businesses, the Group also stepped up its cooperation with local banking and financial structures. In France, for example, the partnership with the new Bpifrance group and financing or guarantee agreements in support of the banking or financial sector provided €1.3 billion of EU finance to SMEs and start-ups: medium-term loans, mezzanine or equity-type operations, equity participations.

Building on that experience, the Commission and the EIB Group are keen to increase synergies between budgetary resources and financial products. Thus, in keeping with the European Council's guidelines, the budgetary framework for 2014-2020 provides for the RSFF and the EIF's instruments to be beefed up. The EIB also decided to substantially increase the EIF's capital to enable it to develop its venture

capital activities, which currently total €6 billion across 467 operations with investment funds in the 28 Member States.

The main thrust of the revised industrial policy of the Union and its Member States cannot overlook the fact that making businesses more competitive also requires sound management of environmental resources and, in particular, energy efficiency. That was the message contained in the Commission's communication of 22 January concerning the Union's objectives in this area, to which the EIB devoted almost €10 billion in 2013 alone.

The EU, which reassumed its dynamic decision-making role in responding to the financial and economic crisis, has set an important date for 20-21 March 2014: the European Council meeting on the subject of a "European industrial renaissance". The EIB is fully committed to supporting the fresh impetus that the Heads of State and Government wish to give to reindustrialisation in Europe – that is our *raison d'être*, our remit as the European Union's financing institution. The Bank will achieve this by providing its financing capacity and expertise in setting up projects but, most of all, by lending greater credibility to the investment we commit to finance.

The EIB and Key Enabling Technologies (KETs)

KETs cover fields as diverse as bio- and nanotechnologies, the aerospace and automobile industries (a.o. composite materials) and energy transition technologies (e.g. electrical mobility or the efficiency of transport systems or buildings). It is essential to promote public and private investment in these technologies: the challenge for Europe is to preserve its technological autonomy and generate sufficient leeway to reflect societal changes and guarantee the perpetuation of our social systems.

The EIB has financed European KETs to the tune of €13.1 billion since the turn of the millennium. While a sizeable proportion of this lending was dedicated to R&D investment, the majority went to industrialising innovation and creating technology demonstrators. Logically, two thirds of the projects are in Germany, France and Italy, while the Scandinavian countries and Austria account for a quarter of the operations financed.

In July 2010, the Commission set up a high-level working group on KETs, bringing together industrialists and scientists, the Commission and the EIB. KETs are now a priority of the Europe 2020 Strategy and receive budget support of €5.8 billion within the 2014-2020 framework. The mobilisation of public and private backing for KETs is also reflected in the financing provided by the EIB for these technologies, which rose by 60% from €2.7 billion to €4.5 billion between 2012 and 2013.

Why Cutting-Edge Technology and a European Industrial Policy Are Symbiotic: the Aeronautics Perspective



Eric DAUTRIAT

Executive Director of Clean Sky

Europe today has a world leading, competitive aeronautical sector which makes an impressive contribution to the European economy and job creation. The global air transport sector grows at a sustained 4-5% a year showing a need of 40,000 new aircraft in the next 20 years. It is, no doubt, one of the very best areas of excellence of Europe all across industrial activities. In addition, employment in aeronautic industries reached 752,000 in 2012. The European aeronautics industry accounts today for 40% of the global civil aircraft market and with an expectation to keep that market share in the decades to come in spite of the fierce competition, not only from the US but also from China and other incoming players.

From the aeronautics perspective, the best industrial policy, the one Europe has to develop is the one that supports innovation. And yet, innovation is a very wide – and sometimes too vague – notion: what is mostly needed is investing in technology, and in particular in “hard sciences”, if Europe is to succeed. Paying attention to services is fine, but should not make governments forget how manufacturing industries are essential to employment and balance of trade. At the same time, choices have to be made, priorities to be defined, and directions to be taken: this is why a “European” industrial policy topping Member States’ efforts makes sense. Aviation has the characteristic to have very long cycles, where the time elapsed between the birth of a new technology and the retrieval of the last airplane using it is close to... one century! Technical complexity, safety pre-eminence bringing stringent certification rules, and capital intensity converge to such a long-term pace. Aircraft of 2050 are in the labs right now and will take still years of ground and flying demonstrations to deem them fit to carry passengers across Europe and the world. Then, well beyond 2050, many of them will still

be part of the fleet. This is far from any day-to-day financial optimisation, and actually builds, in essence, a strategic horizon. This is why a public, stable industrial policy through an ambitious technical innovation is needed, bringing the necessary certainty to the industrial players.

The past and current experience demonstrate that such a public investment in aeronautics is rewarding in terms of job creation: strengthening the aero innovation chain pays back by generating high skilled jobs in many disciplines, at all levels, from mechanics to engineers. In addition, we see synergies between sectors as well as the entry of new players to aeronautics which in the longer run leads to sustainable growth.

As a Joint Technology Initiative of the European Union and the aeronautical industry, Clean Sky is a successful public-private partnership with the better of the two worlds. It is a coherent, large programme, involving all categories of aircraft, engines and equipment, with technology streams which are cross-linked through technical interfaces, and a search for global optimisation. Being focused on reaching a high technological maturity, it involves the active participation of the European large manufacturers working together. The timescale of the technological developments must be adapted to the industrial strategies, in order to be ready at the right moment when a new generation of products will enter development. Only a dedicated entity with both public and industrial involvement can manage such a programme, with the necessary flexibility as well as a constant concern of keeping the overarching objectives. Today Clean Sky, building on its core of industrial leaders, involves close to 600 participants from 24 European countries.

Quite importantly, more than 35% of the projects open to competition by the Clean Sky Joint Undertaking are won by SMEs. These SME from across Europe directly contribute to the building-up of the integrated demonstrators. Many of them are newcomers in the field of European research. The three main barriers they are usually facing for entering the aeronautical supply chain – financial, technical and reputational – may be overcome thanks to such participations. Clean Sky is actually building a European innovation chain, where smaller companies play a key role in

developing technologies and products for larger firms. In return, SME are associated to the bigger players and benefit from their growth and global leadership. In this respect, beyond technology development, a relevant industrial policy should ensure more financial support to SME who need to invest further for bringing actual innovation into the market.

Clean Sky works on six technological platforms, each of them co-led by two European aviation industry leaders. All of them: large aircraft, regional aircraft, rotorcraft, engines, eco-design, and systems are achieving concrete results, up to large integrated demonstrators, which are the bulk of the Clean Sky contribution to innovation. The first demonstrators, one large turbofan engine for long-range aircraft, and one Turboshaft for helicopters, are currently being tested. Others, like novel wings, electrical systems, lightweight structures, will follow up to 2016.

Clean Sky is targeting environment-friendly, cutting-edge technologies. Environmental-friendliness and competitiveness go hand-in-hand in the long run, as regards CO2 emissions, noise and local air quality. In particular, reducing CO2 also means reducing fuel burn and dependency on fuel high and potential instable prices. Ambitious targets, as agreed by both public and private partners, are addressed, in the range of 20 to 30% of carbon emissions reduction and noise reduction.

And this is just the beginning of a far-reaching journey. The long-term perspective of aviation requests a long-term technological policy – and CO2 effect on climate change also requests a stable policy. This is why Clean Sky will be continued – and called Clean Sky 2 – under the new European Research and Innovation programme, Horizon 2020. A €4 billion total budget is foreseen – more than twice the current Clean Sky effort – including a strong leverage effect of the European Union’s funding, through private, regional and national investments in innovation. Even more than the current programme, Clean Sky 2 is destined to be the pivotal programme for aeronautical innovation in Europe.

The wide appetite for participating in this

programme throughout industry, SMEs, Research Organisations and Academia, evidences the appropriateness of this instrument for research and innovation, and the pivotal role it now has for aeronautical innovation in Europe

As the official approval of Clean Sky 2 approaches, I can only wish that the ambitious European research and innovation agenda is matched with a similarly visionary industrial policy. An industrial policy that commits and

supports competent, skilled, innovative and hard-working industrial sectors in Europe, of which aeronautics is one of the best examples. An industrial policy for transport which takes up societal challenges, in particular environment and people's mobility. It's about giving and taking: supporting to industrial innovation, and in exchange agreeing on long and medium term objectives for sustainability.



Alenia Aermacchi composite fuselage One Piece Barrel (OPB) demonstrator. It leads to weight reduction due to more innovative multi-functional layer and multi-layer architectures, better acoustic insulation and increased hail impact performance.

Industrial Strategy for a Healthy Europe



Richard TORBETT
Chief Economist, EFPIA

'Industrial strategy' or 'industrial policy', are often seen, in economic policy circles as, as dirty words! Negative connotations stem from a history of misguided policy decisions, especially in the 1970s, where so-called national champions were either bailed out with public funds or led into an over-reliance on long-term state contracts. This was the worst sort of protectionism. 'Champions' lost their edge in the face of international competition – which in turn led to calls for more public bailouts in the name of protecting jobs. 'Picking winners' was the order of the day. But too often, the winners turned out to be losers and short term – albeit expensive – government subsidies, were increasingly recognised as just postponing, or even guaranteeing, the inevitable – a loss of competitiveness.

And so it was that picking winners went out of vogue. Industrial policy gave way to trade liberalisation and a focus on 'horizontal measures'. These were not sector specific, but rather cross cutting issues that would provide an economic foundation on which all manner of industry could thrive: funding basic science; education; access to finance; skills; framework conditions such as a

competition and IP regime, and so on.

There is no doubt the shift to horizontal measures, away from single-sector support, was a good thing. But there is now increasing recognition that Europe needs to do more. How can we avoid the mistakes of picking winners of the past, make sure that our horizontal foundation, such as good science, is genuinely world-class, but also make sure that sector specific investment conditions are appropriately optimised for modern industry.

In the pharmaceutical industry we believe there is scope for a new type of industrial policy – one that is build on a collective effort to solve some of the most pressing policy challenges that face our society. At the same time policymakers need to work with industry to understand how our science and business models are changing. By seeking out policy win-wins, it is possible to both address policy challenges, whilst attracting new investment.

Between now and 2050 the number of 65s in Europe will increase by 75%. This will place an enormous burden on Europe's welfare systems, including pensions and healthcare. With an ageing population, an increase in the prevalence of chronic disease will mean more emphasis than ever will be placed on the efficient management of public resources. Technology, such as medicines, has an important part to play. To be financially sustainable health systems have to find effective ways of ensuring that only the most

effective technologies are used and that 'disinvestment' of out of date technology takes place quickly.

At the same time from a business point of view – particularly for a business for whom 'government' is usually the only, or at least most important, customer – it is critical to have predictability and stability in the marketplace. Valuable new products need to be adopted and diffused throughout the system quickly. As a responsible industry we stand ready to work with all European governments to establish a sustainable framework for ensuring patients get access to the right medicines.

Finally, it is important that European institutions work with us to look to the future. We are a long-term industry placing long-term bets for a global market place. It is crucial for Europe to retain its position as source of excellent science by ensuring that publicly funded research is carried out in a strategic and efficient way and that intellectual property incentives are fit for purpose for the new science of tomorrow.

A new industrial strategy for Europe, then, is not about picking winners. But it is about making sure the specificities of Europe's most productive and high potential sectors are well understood. There is a unique opportunity in the pharmaceutical and life science industries more generally to harness the undoubted scientific and industrial strength of the region to both solve health problems and support Europe's future growth and prosperity.



The Third Industrial Revolution



Corinne LEPAGE

MEP, Group of the Alliance of Liberals and Democrats for Europe, European Parliament

The Third Industrial Revolution, which can be defined as the alliance between renewable energies and the interconnected society, is probably Europe's only path towards reindustrialisation. It is a geostrategic necessity, a social goal and the only unifying project from a democratic and political point of view.

This reindustrialisation is structured around 5 pillars: i.e. shifting to renewable energy, increasing energy efficiency, decentralising production by converting industrial and special-purpose buildings into energy micro-power plants (a source of thousands of jobs), deploying electricity storage technologies (Rifkin banks on hydrogen but it could also be methane storage) and using smart power grids, including for transportation. Most of the traditional industrial sectors are concerned here but there is an enormous scope for innovation. This could lead to many jobs being created provided that decentralisation allows for relocation.

The Third Industrial Revolution meets a major geostrategic challenge as it is a question of conquering our energy independence, which is indispensable both from a financial point of view (600 billion Euro are spent each year on buying energy outside the Union) and from the point of view of our political independence. And what is true outside is also true for each State insofar as the cost of energy incurred by the public sector is putting its strain on public finances, and private expenditures are burdens that must be borne both by households and companies. Reducing global cost, including by reducing energy consumption, is thus an absolute requirement.

In social terms and in a context of maintaining the purchasing power to a minimum, it is essential to control the cost of electricity and,

more broadly, that of energy. Energy efficiency and self-production are the appropriate response in a world where production costs are on the rise. The requirement for economy participation meets the increasingly pressing need to take into account the economic and financial inequalities, which have become unbearable. The right of access to affordable energy without any major risk has become an indispensable requirement.

However, the Third Industrial Revolution is also calling for a new, decentralised, empowered society, in which the democratic system has been remodelled. "Distributed Capitalism", built upon energy democratisation, translates into a revolution in governance through replacing vertical

refer to it. For instance, the "Climate and Energy Package", adopted in 2008 and aiming to raise the production from renewable resources to 20%, to achieve a 20% energy saving and curb the CO₂ emissions by 20% by 2020, is one of its implementations. The European Union has also set up a strategic plan for the deployment of smart grids; some countries, spearheaded by Germany and followed today by the Nord-Pas-De-Calais region that has developed a master plan devised by Jeremy Rifkin, are such examples.

However, Europe is dithering, even backpedalling, in its ambitions. The subsidies to fossil fuels are still 8 times greater than those to renewable energies; the pathological folly about



and hierarchic power by a new lateral and collaborative power. Cooperation has become a goal, a necessity and an efficiency factor. Hence the political rift between the ancients (the advocates of the current system) and the moderns (the advocates of the Third Industrial Revolution). It is no longer a matter of right- and left-wing polarity.

This all may seem obvious. Jeremy Rifkin is often citing Europe as a point of reference in terms of implementing the Third Industrial Revolution. Indeed, several texts expressly

shale gas has made us lose good common sense. The European renewable energy industry is not protected against dumping, the quota market is under attack, the European carbon tax has failed thus far, the smart grids do not have the priority that they should have, electricity storage has not been given enough priority (compared for instance with the storing expenditures for carbon or DESERTEC), and above all, democratic decentralisation remains a subtheme, if not an anecdotic one.

The Energy Challenge, the Way Ahead



Fulvio CONTI
CEO of Enel

There is no silver bullet that will solve the challenges we face in providing reliable, affordable and environmentally friendly energy. Technological advancements have brought us new energy sources – one need only consider the recent strides made with renewables as well as with oil and gas extraction – but at the same time the demand for energy is continually growing, especially from emerging economies.

And yet there is great reason to be optimistic that we can meet the world's thirst for energy while curbing carbon emissions and staving off the potentially devastating effects of climate change that threaten our planet.

While there is general agreement in the industry and among politicians that the world needs energy that is reliable, affordable and environmentally friendly, there are different views on what is the best road to get us there. At Enel we are convinced the road has to be based on two

principles: a balanced mix of fuels and technologies, and the full embrace of free markets.

A balanced mix means that we must invest heavily in renewables, but it also means we have to be realistic about the future and accept that there is no single source that can meet all our needs. Everything from nuclear to coal, gas and renewables must continue to be developed as we seek to provide energy and minimise supply disruptions. Shale gas has created an energy revolution in the United States, but the same will not happen in Europe where fracking is problematic for various reasons including limited reserves, high costs of extractions, stringent regulations and the continent's high population density.

That the energy sector should be governed by free markets ought to be a given, but unfortunately it is not. Too often subsidies muddy the waters creating distortions that hurt the consumer and the system as a whole. Having a range of options on how to produce electricity does nobody any good if the best choice for each situation cannot be identified due to the lack of a transparent, competitive market.

The International Energy Agency estimates the power sector will need \$17 trillion in investments over the next 20 years to add new generation

capacity and replace aging infrastructure. To reach that level of investment the private sector must play a major role, which will happen only if markets are free and private enterprise flourishes.

In Europe we have a particular problem that is discouraging private sector investment: while we wait for the arrival of a true single market we are left to navigate through 28 different

markets each with its own set of rules. To this must be added the several national legislative initiatives in progress across the continent, while at the same time in Brussels we already have 74 directives and regulations already in force. The fact that the portfolios of four European Union commissioners overlap on energy matters further complicates the implementation of these initiatives and does not provide the right guidance to member states. Harmonizing these actions in a single, fully-encompassing directive with the aim of achieving security of supply and sustainability targets for 2030 and beyond is a priority for Europe.

There are three aspects to reaching a true single market. First, subsidies for both fossil fuels and renewables must be phased out or at least tied to costs and the maturity of a particular technology. Subsidies create distortions in the market, funnel investment away from the most efficient technologies and muddle the true cost of producing and delivering energy.

Second, the larger scale of a single energy market in Europe would create more competition ultimately leading to lower prices and better services. Nationalising energy companies or burdening them with taxes and flawed regulations – short-sighted government policies we have seen implemented in the last few years in a bid to counter the current economic difficulties – only serve to delay the arrival of competition and the single market.

Thirdly, the true cost of carbon, which should include all sources of emissions, must be taken into consideration if we are to move towards a more sustainable future. Identifying the true cost of carbon will reduce carbon emissions and put companies in a position to make the best investment choices. Europe could achieve this and consequently take a stand against climate change by improving the functioning of the Emissions Trading System.

So, though there is no silver bullet, there is much that companies, regulators and institutions can deploy in the markets to put Europe and the rest of the world back on the path to achieving reliable, affordable and sustainable energy for all.



What Kind of European Policy for SME's



Paul RÜBIG

MEP, Group of the European People's Party (Christian Democrats), European Parliament
Member of the Committee on Industry, Research and Energy (ITRE)

Politics don't create jobs, it is the entrepreneurial spirit of the people that does so. Politics create the economic, fiscal and logistic environment in which entrepreneurial initiative can prosper.

The enterprises, and their entrepreneurs, must be supported at both the national and European Union wide level so that they may flourish to the most of their ability. They must be provided with the tools to remain competitive in an increasingly globalizing world. Furthermore, we, as Europeans, must commit to greater investment in research and better educational institutions so that we may mold the students of today into the entrepreneurs of tomorrow. The markets are critical and may be the ultimate judge, but this in no way can let us avoid our duties as providers of a structure and a vision for our economic future.

SMEs are the true back-bone of the European economy, being primarily responsible for the creation of wealth and economic growth, next to their key role in innovation and R&D. It is proven that Entrepreneurship is the crucial factor for prosperity.

Our focus, for the future SME policy, should be on improving access to finance for SMEs, improving access to markets – inside the Union as well as on a global level – improving framework conditions for businesses and promoting entrepreneurship and entrepreneurial culture.

European SMEs are varied and heterogeneous. Initiatives to improve access to finance must consist of a full portfolio of diverse and innovative measures to effectively reach this diverse group of actors, taking into account their specific features. We should encourage SMEs by simplifying tax structures at the EU level in order to allow them to raise funds via direct private investments.

It is also important to support SMEs during the crucial phases of the business lifecycle with greater resources to help new businesses to get

through this critical period, such as management training and R&D coaching. It is a well-known fact that about 50% of companies fail in their first five years. One option could be giving a second chance to honest entrepreneurs after bankruptcy and establishing an EU "rescue and recovery" culture in cases of companies and individuals in financial difficulties. The majority of bankruptcies are due to a string of late payments or other practical problems; however the 'second starters' are more successful.

More favourable conditions for business creation and growth trigger the reduction of administrative and regulatory burdens and the identification and exchange of best practices among national administrations to improve SMEs policy. We should not overlook the new business opportunities of the digital age since SMEs grow faster when they embrace IT. Cooperation between universities and SMEs needs to be enhanced to support innovation, and the entrepreneurial spirit encouraged. I personally believe that one of the best ways keeping an economy dynamic is to encourage more people to become self-employed. We should therefore strive for the introduction of entrepreneurial skills in schools and universities and the abolition of any obstacles faced by people when starting up a business. Entrepreneurial spirit must be learned, taught and promoted.

The easier transfer of business ownership is another issues to be tackled at the European level. When a business owner retires, his business all too often comes to an end. It is not easy to find an able successor, especially as businesses are now generally transferred to third parties rather than to a family member.

Yet taking on an existing business offers many advantages (an established production structure, a client network, know-how, business reputation, etc.). For instance, existing businesses provide five jobs on average for every two provided by a new business.

Any reduction of administrative burdens should concentrate more on how to simplify existing EU legislation and make national public administrations more efficient and responsive to the needs of companies – particularly smaller ones – when implementing EU legislation. Smart regulation should ensure that European laws benefit people and businesses. It is essential if the EU is to deliver the ambitious objectives for smart, sustainable and inclusive growth set out by the Europe 2020 Strategy.

Avoiding superfluous red tape is an essential factor of good governance and also makes sense in difficult economic times. Small and medium-sized businesses are in the front line when faced with legal obligations to provide specific information to the authorities and the public. Unlike larger firms, they may not have the latest technology to simplify the administrative tasks or the specialized in-house staff to meet these demands.

Last but not least, we should encouraging women to grasp entrepreneurial opportunities and supporting start-ups with a special focus on sectors that can provide women with an adequate income. Entrepreneurship development training is needed, in order to reinforce women's self-confidence and entrepreneurial know-how. The younger generation of up streaming businesswomen has to be reached and supported according to their needs.



Greener Vehicles: a Source of Growth?



Franck PROUST

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On the face of it, I should reply in the affirmative. However, this is not as easy as it may seem.

We need greener and more energy-efficient vehicles. Theoretically, no sensible person would ever question this general consensus. Manufacturing and promoting these vehicles must be a guideline for all actors in the process chain as well as for the political leaders. We are duty-bound to provide our fellow citizens, residents and drivers with the best possible balance between the imperative preservation of the environment and the growing mobility needs.



I will not mince my words: a "green vehicle" with no impact whatsoever on the environment is a myth. There will never be such a thing as a totally environment-friendly vehicle, either because of its life cycle (raw material extraction, production, recycling) or the type of energy used

(for its production or through its emissions).

Do I believe that greener vehicles cannot be synonymous with growth? No, quite the opposite. Society feels this absolute need more strongly every day. That being said, we must put aside any political dogmatism that would lead us straight to failure. I am referring to that which would prompt us to disrupt our current economic model and rush towards "all green" vehicles in anticipation of a demand that does not exist.

Instead, we should favour a consistent, responsible, precise and visionary approach.

Only then will green vehicles be unquestionable sources of growth in the future, as they are already partly so today. One can even imagine that they will be at the very heart of the European – and also the global – car manufacturing industry within a few decades.

First, let's set our priorities right. With this in mind, prior to producing greener vehicles we should endeavour to respond to the urgency, namely the urgency of the market crisis and the car manufacturing industry in Europe and the urgency of production overcapacities and restructuring. Our fellow citizens are astonished to see that a certain portion of the European left-wing is still striving to brighten up the balconies with flowers while the whole building could collapse at any moment.

Once a solution is found, we shall be in a position to start manufacturing "greener" vehicles.

These are obviously tremendous growth vectors. First, as regards innovation, we are still a long way off! France and Europe are one step ahead of the rest of the world. This race for innovation is a real driver for the creation of added value and increased know-how.

Beyond this point, the opportunities are enormous. Not only at home but also in the emerging countries (which are no longer so by the way). They have come to realise the irreversible damage caused by the pollution from megacities. Alternative propulsion systems are at the heart of their new mobility plans.

We, Europeans, have a strong card to play for the future.

However, we must not rush things or we might bring to naught our ambitions.

We should exercise caution as we have not

yet found the "grail" of the fuel or alternative propulsion system: the zero-emission car with the same power, the same price and the same autonomy as a "classic" car. This is precisely what drivers are looking for. But it is still a long way off.

We should also proceed with caution so as not to suffocate our automotive companies. Preserving their competitive edge should be our priority. We should impose a moratorium on any new environmental legislation that could undermine it further. I am proud that this point of my report received the support from a great number of my fellow MEPs.

Finally, let's not be too rash as far as externalities are concerned, about which far too little is known. I was referring earlier to environmental externalities but there are also social externalities. An example: an electric car is made up from 300 parts whereas a classic vehicle needs more than 2000. At the end of the day, much less labour will be required. What shall we do about the jobs lost? Let's think this through. Moreover, if we replaced our cars by electric vehicles, the current electricity production would not be sufficient. How are we going to supply them with energy? That is a real issue.

So, where do we stand? In my opinion, we need a method, a plan and to take a step-by-step approach.

First, we should provide real European political guidance and break down some obsolete barriers. There are 28 different European commercial strategies up against 4 or 5 big blocks on the automotive industry market. This situation is no longer tenable! We should put up a united front in this sector. In order to achieve this, a long campaign to raise the awareness of our governments is likely to be needed.

Subsequently, we should conduct a consistent research, development and deployment project which will benefit everyone. For instance, developing full-scale tests and thoughtful marketing strategies if we are to prevent some recent failures from being repeated.

If we measure out our ambition with pragmatism, we will prevail.

Make State Aid Control an Asset For, not a Threat To a Green Industrial Policy



Rainier D'HAUSSONVILLE

Director for Public Affairs, Veolia Environnement

Enterprises have developed an ambivalent approach to State aid: if they consider State aid control to protect the internal market from competition distortions, enterprises also deplore that it can be a real impediment to the development of projects, even those legitimately encouraged by EU policy objectives.

Engaged in the management of local environmental services and infrastructure, Veolia Environment is an operator of Services of General Economic Interest (SGEI) and is committed to provide both public bodies and industrial clients with solutions for the transition towards a green, low-carbon economy. In these areas, public support may represent an indispensable source of co-financing. State aid control and its governance are therefore **at the crossroads between EU industrial competitiveness, climate and energy objectives and efficiency in public spending.**

I) Reconciling public spending optimization and access to high level public services for citizens and EU competitiveness

In certain cases, compensation for public service obligations is necessary to allow cost recovery and investments in general interest infrastructure (such as for heat, waste or water), that cannot be borne by the end-users. Such compensation does not constitute a State aid.

According to the Altmark jurisprudence¹ of the EU Court of Justice, the competitive tender of SGEI is the simplest way to select an operator that will provide the services at the best value for money for the community. **Competition excludes overcompensation; it also triggers innovation and emulation to the improvement of high quality public infrastructure and services.**

In order to encourage authorities to launch calls for tender, the interpretation of the Altmark ruling should thus be coherent with the new EU public procurement package adopted in

2014. The selection of operators through open or restricted procedure, competitive dialogue or negotiation compatible with the public procurement and concessions directives should be deemed ruling out the existence of State aid. **Inversely, SGEI either directly granted without transparency, or in some cases not regulated through a contract, are to be subject to State aid control. In that respect, it can be an adequate tool to optimize public expenditure and to stimulate efficiency of public infrastructure and services.**

II) Simplifying the financing of infrastructure projects eligible for EU funds

The interpretation of the Leipzig-Halle judgment² by the Commission has made it necessary for infrastructures eligible to EU funds to be subject to a twin control: a first one under regional policy as a "revenue generating project" to allay the fear of "undue profit" by the operator; a second one under State aid regulations. This double check is a matter of concern: It causes delays in the approval of projects as well as consumption of EU funds allocated to infrastructures.

Therefore, the implementation of blended projects during the 2014-2020 period should benefit from a dedicated general notification exemption in the General Block Exemption Regulation. Such exemption could be limited to EU funding granted to projects, where the absence of undue profit for the funds recipient has been duly verified under the conditions of the Regulation laying down common provisions for the 2014-2020 EU structural funds.

III) Creating synergies between the transition to a circular and low-carbon economy and the strengthening of the European industrial base

In order to achieve the transition to a resource-efficient and low carbon growth, economic incentives and legal certainty are necessary for enterprises to invest. The new guidelines on environmental and energy aid for 2014-2020 should secure access to public resources that are necessary to tackle residual market failures and benefit from externalities expected from greener technologies.

In the field of energy, many of these externalities are to be contemplated locally. As an example,

biomass cogeneration – the simultaneous decentralised production of heat and electricity as a non-intermittent energy source – has positive externalities (security of energy supply, biomass locally available, social acceptability...). As it is distinctly efficient for industries and households in comparison with other renewables depending on the geographical area, biomass cogeneration should remain eligible to operating aid. For this reason, technological neutrality advocated by EU guidelines for the competitive granting of operating aid to renewables makes little sense, economically and environmentally speaking. **Member States remain competent to choose their energy mix. This principle cannot be circumvented by State aid guidelines.**

Similarly, investment aid for the expansion of district heating networks and cogeneration, inherently resource-efficient, should not be hampered by counterproductive capacity thresholds. State aid is to be justified by a cost-benefit analysis attesting the economic and environmental performance of the project. EU guidelines should therefore favour **a project-based approach rather than a recipient-based approach discriminatory towards large undertakings.**

As far as State aid rules governance is concerned, time is of the essence for the success of a project. Member States, not companies, are responsible for taking the decision of notifying or not an aid scheme or an individual aid to DG Competition. The lack of appropriate on-time notification of yet compatible aid schemes is prejudicial to enterprises. **Inversely, notifications made under the umbrella of an approved aid scheme should benefit from a fast track procedure to facilitate on-time delivery of a project.**

The modernisation of State aid rules ought to be an opportunity to improve the **coherence between European competition, public procurement, regional and energy/environmental policies**, in order to develop a green competitive industrial policy in line with the energy and climate package and the EU2020 strategy.

1. Case C-280/00, Altmark Trans GmbH

2. Joint Cases T-455/08 Flughafen Leipzig-Halle GmbH and Mitteldeutsche Flughafen AG c/ Commission and T-443/08 Freistaat Sachsen and Land Sachsen-Anhalt c/ Commission

Research and Innovation in Europe for Better International Industrial Competitiveness



Maria DA GRAÇA CARVALHO

MEP, Group of the European People's Party (Christian Democrats), European Parliament

The main problem confronted by European industry is that of the struggle to raise the necessary finance to ensure adequate levels of investment. In addition, industry is confronted by a whole series of bottleneck and difficulties such as the problem of excessive regulation, lack of harmonisation of tax policies in the Member States and inadequate standardisation. Against this background, there are four main areas in which the EU can play a productive role. These are the question of financing, the importance of competitiveness, the single market and integration of industrial policy.

Firstly, regarding financing, we need reliable, investment both in the short and long term. As such there are seven items in which the EU will be able to make a difference:

1) A crucial instrument will be the new EU budget (from 2014-2020). It is essential that the funds used to finance those policies have a direct impact on increased growth. Measures of this sort include research and innovation, support for innovative SMEs, education and training and the infrastructures of the future such as energy and digital grids.

2) In light of the difficulties confronted by public finances in many Member States, it is necessary that we come up with new and innovative solutions, including schemes co-funded by EU Regional Policy. This will enable us to ensure the alignment of public funding and incentive mechanisms with the strategic goals of the EU.

3) At the same time, Member States have committed a further sum to the European Investment Bank, something that will unleash many times that amount in new investment. As these funds become available, they should flow, in particular, to SMEs – a key to absorbing unemployment – but also to those countries and regions that need the funds most and that are least able to borrow elsewhere.

4) The EU is currently engaged in a whole series

of reforms of financial services in order to ensure that financial markets become more efficient and reliable. We are also in the process of setting up a union banking system that will provide supervision and coordination of the financial sector. This will allow the re-establishment of a healthy financial sector, one that makes credit readily available in the economy. We need to make sure that the financial markets have the right incentives to invest in the real economy rather than engaging in market speculation.

5) EU has developed a number of innovative financial instruments that will enable industry to lever investment. These include the Risk Sharing Facility and Project Bonds.

6) It is necessary that we put measures in place that will encourage the public sector to meet its financial obligations with regard to the private sector as promptly as possible given that late payments remain a significant bottle neck for many SMEs. It is also important that the member states ensure foster a climate that will attract foreign direct investment.

7) The private sector also has a role to play, of course. In particular, venture capital markets should be made use of in order to stimulate private investment.

Secondly, we need to improve the competitiveness of European economies. This supposes the creation of a more favourable business environment as this involves, amongst other things, "smarter regulation". In addition, we, in the EU, are in the process of coordinating structural reforms with particular regard to those countries that are lagging behind in terms of competitiveness. This involves more flexible labour laws, streamlining public services, introducing competition into the protected sectors and so on.

Thirdly, we must deepen and complete the European Single Market and, in particular, we need to build the internal market in three central areas: digital economy, energy and in services.

Finally, we require an integrated industrial policy alongside a concerted drive towards innovation. A new industrial innovation policy is needed to encourage the much faster development and commercialisation of goods and services and to ensure EU firms are first onto the market. In this context, we must speed up industrial innovation

and ensure the timely deployment and commercialisation of key technologies.

The new programme H2020 – the 8th European Framework for Research and Innovation – is an important tool for the industrial policy. One of its three pillars – Pillar 2 – is entirely devoted to industrial competitiveness. This pillar is divided in three sub-programmes: Enabling and Industrial Technologies, Financial instruments and specific support for SMEs. In particular, Enabling and Industrial Technologies will support research and innovation activities on strategic technologies to foster innovation in existing and emerging sectors. These include Key Enabling Technologies such as Information and Communications Technologies (ICTs), Nanotechnologies, Advanced materials, Biotechnology, Advanced manufacturing and processing and Space.

At the same time, Horizon 2020 aims to cover the whole cycle from research to the market. This covers fundamental research, technological development, demonstration and finally the removal of entry barriers to innovate products and processes in the market. Achieving this goal requires narrower and more precise definition of innovation and the processes associated with innovation.

With an overall budget of 79.4 billion EUR, Horizon 2020 will create 50 million jobs by 2015. Each €1 000 million invested in Horizon 2020 will be fund 4 000 innovative SMEs; 600 excellent researchers and their teams; 240 large projects with 2 600 participants from industry and academia.

To conclude, it is my conviction that these instruments will supply a real response to the needs of innovators in a European context. The challenges ahead are unprecedented and, to face these challenges, we need to invest in the future, to establish the basis for future prosperity and a better society.



BETTER INTERNAL MARKET AND ACCESS TO FINANCINGS



Promoting Europe's Manufacturing "Renaissance"



Malcom HARBOUR

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Chairman of the Internal Market and Consumer Protection Committee

For many people with current or past experience in the manufacturing industry, the upsurge in interest in the sector is encouraging. Manufacturing people have long argued that the role of the sector in the "real" economy has been consistently undervalued. They point to the very deep roots of successful production enterprises into the "eco-system" that supplies them: the long chain of component and services companies that are indispensable to any "industrial" enterprise. They also note that manufacturing companies employ a much higher proportion of skilled and professional people than other sectors and invest more in research and development. Large industrial enterprises have a major impact within their surrounding communities.

The European Commission's recent "industrial renaissance" paper provides some factual support for these widely held assumptions. Their statistics show that industry accounts for 80% of private research and innovation, and that each additional

manufacturing job creates 0.5-2 jobs in other sectors. Manufacturing industry generates a trade surplus, and accounts for over 80% of Europe's exports.

Given the demonstrated importance of manufacturing to sustainable economic performance, it is surprising that a public policy initiative is needed at all! More worryingly, manufacturing industry is not attracting enough well-qualified new entrants with the right skills in science, engineering, technology and management. The future is seen by many young people to be in "new industries", principally linked to information technology.

How does public policy respond to these challenges? First of all, policy makers need to be promoting manufacturing, especially new investments in the latest manufacturing technology, as the "new" economy. Manufacturing needs to be seen as a highly creative and innovative activity. Designing, developing, producing and selling new products to delighted customers is an extraordinarily satisfying career. Businesses in manufacturing need to be telling us more of their product "stories".

Secondly, policy frameworks must remove the barriers between manufacturing and services. The two sectors must co-exist completely. Indeed, the competitiveness of many manufacturing businesses is being reinforced by moving into activities that are

close to the customer, and support the customer's product experiences. Companies like Rolls Royce, who produce very complex, high value and high technology products, have steadily increased their service and maintenance activities. Their customers increasingly purchase "engine hours", rather than the engines, over their product life time. Consumer goods producers work more closely with their retailers and, in some cases, manage their stocks and point of sale displays.

Indeed, many companies in product design and development do not manufacture any products themselves. The UK firm Dyson sells a high profile range of innovative and distinctive appliances. Dyson designs and develops the products, and then works with suppliers who tool up and manufacture them. Dyson teams have manufacturing expertise to ensure that quality and output meet all their needs. They are part of our industrial Eco system.

It is good, therefore, that the Commission's new ideas for a Renaissance of European Manufacturing emphasise its integrated nature, and promote the internal market for services alongside the infrastructure needs of the manufacturing economy. But there remains the big challenge of boosting the image of manufacturing, attracting talented young people and giving it a central role in "Renaissance" Europe.



What Can Be the Benefits from the Digital Economy?



Robert MADELIN

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The Digital Economy is having a profound impact in our societies and economies. In the last two decades we have seen how the internet, mobile technology and ICT technologies in general have changed social behaviours, impacted economic growth and addressed social challenges. The world of today cannot be imagined without these technologies and industry is not the exception.

Like the steam engine or electricity before it, ICT is the general purpose technology (GPT) of modern times, and like other GPTs, it presents a duality:

- ICT is a sector of the economy, with a total gross value added of over 4% of GDP¹, representing around 7 million jobs throughout the EU.

- ICT is an input for all industries, particularly as the main source for labour productivity growth. A recent report from The Conference Board shows that the major difference between the EU and the US in labour productivity growth is due to the ICT investment, production and use, which represents an annual gap of 0,4% in the period 2001-2005 and of 0,2% in the period 2006-2011²

Digital technologies have a strong positive effect on agile industrial operations from design (continuous product optimisation and competitive advantage), through to logistics and manufacturing, down to maintenance and support throughout the product life cycle.

Industrial policy is back in the public policy debate, and the need for a strong industrial sector has been shown in the different performance of countries in the economic crisis. Public authorities, notably at European level can help markets to reap the transformative potential from digital technologies. Research and innovation

programmes are a major tool for developing new technologies, products and services and bringing them to the market. Without public support too many good ideas would not reach the market. As interesting examples of this, the Internet or the early growth of Silicon Valley would not have been possible without public intervention.³

Public action is also required on the regulatory and policy (framework) aspects most relevant to maximise the industrial impact from digital technologies, such as legal aspects relating to cloud computing, IPR, data protection, open data, public procurement or standards. Public intervention may also be required to address the inefficiency of markets in the production and dissemination of knowledge, which is essential for technological change and ultimately for growth⁴. The public sector can also play a key role by being an early adopter and showing the way; promotion of cooperation across industry, with academia and public services through smart specialisation; and better prioritising the EU regional funds on digitally enabled industrial product and manufacturing innovation.

The digital transformation is creating new opportunities and new sectors where Europe must not fall behind. A good example is big data (the world now produces in two days more data than humanity has produced since the dawn of civilisation to 2003). In the health sector, this can lead to powerful new research in disease prevention and treatment, with impacts on the pharmaceutical industry. The data market could thus contribute billions of euros to the economy. However, out of the top 20 data companies in the world, 17 are from the US and only two from Europe, a pattern that is repeated in other ICT areas.

The on-going digital transformation has been widely recognized and a number of Member States have modernised their industrial policies to give a central place to the digital economy, such as UK's recent industrial initiatives, Germany's "Industrie 4.0" or France's "La Nouvelle France Industrielle". However, the challenge for EU

industry as a whole is that it has yet to fully tap into the potential of digital and high-tech which will directly affect their competitiveness by modernising its production capacities (agile response to demand and cost reduction), its product and service bundles (increased value/revenue generation from the services). The challenge is also to create added value and business competitive advantage with embedded intelligence in all sort of industrial artefacts and products.

A number of key enabling factors, like the roll out of fast broadband, are needed to seize these opportunities. However, an industrial policy cannot only be focused on building digital infrastructure, it also needs to promote its transformative potential. Too many European companies, especially SMEs, lack the know-how to use ICT to strengthen their business. This can cause a slow take up of breakthrough technologies. Therefore, significant capacity building is required in soft (managerial) skills and business processes in our economies. As shown in other parts of the world,⁵ the mere deployment of networks does not inexorably lead to their use by a variety of sectors where different regulations but also variations in industry dynamics enter into play.

At the European level, the October European Council has set out an ambitious framework for completing the digital single market which is an important factor for productivity growth. It will also specifically look at industrial policy issues in March 2014. The European Commission is further engaged in a number of actions in the digital sphere addressing most of these challenges. Just to name a few:

1. Commission's contribution to the October European Council

2. Ibid.

3. See "Industrial policy: Old and new issues", W. Naudé (2010) and "The return of Industrial Policy", D. Rodrik (2010).

4. See "Creating a learning society", lecture given by J. Stiglitz at the London School of Economics (2012).

5. See "Industrial Policy Reconsidered in a Digital World", Kenji E. Kushida & John Zysman (2013)

- The **Horizon 2020 programme** (for the period 2014-20), where ICT is a major component of the research and innovation efforts of the EU.
- The **Connected Continent initiative** that will enable the pan-European provision of connectivity, resulting in an environment that is conducive to private investment and will help the EU regain its leadership in ICT.
- The **Grand Coalition for Digital Jobs**, aimed at equipping all Europeans with the necessary level of digital skills.
- A regulatory framework that exploits the benefits

of big and open data supported by innovative technologies (e.g.: cloud, high performance computing), including a future '**Data Value Chain Strategy**' to develop a healthy data-ecosystem in Europe.

- The different **public private partnerships⁶ initiatives** that support cutting-edge R&D and commercialisation in strategic industry sectors ranging from robotics or photonics to green vehicles, clean sky or bio-based industries.

Failing to adopt digital technologies and transform Europe's industry accordingly would

miss out on the potential of the digital single market which is just emerging, as other world regions are already harvesting the first benefits and improving their competitiveness against European players.

6. COM(2013) 494 and COM(2012) 582



Enterprise Europe Network – Sector Groups: Specialists at Your Service



Patrick LAMBERT

Executive Director EASME (Executive Agency for Small and Medium-sized Enterprises), European Commission

Most successful companies start out as Small and Medium-sized Enterprises (SMEs). Each of the currently 23 million SMEs in the EU are led by entrepreneurs who are primarily responsible for economic growth and job creation in Europe. In order to increase their chances of success and foster innovation, the European Commission works on broad policy issues affecting entrepreneurship and SMEs across Europe and assists them through networks and business support measures. The Enterprise Europe Network has become today the EU's largest business support organisation by maximising SMEs' opportunities in the European marketplace and across the world.

On 21 November 2013, COSME, the new programme for the competitiveness of Enterprises and Small and Medium-sized Enterprises, was presented by Antonio Tajani, Vice-President of the European Commission, responsible for industry and entrepreneurship. COSME aims at strengthening in the coming years (2014-2020) the competitiveness and sustainability of the Union's enterprises, at encouraging an entrepreneurial culture and promoting the creation and

growth of SMEs. It also gives a fresh impetus to the European economy by easing access to credit for SMEs and improving SMEs access to markets inside and outside Europe.

Enterprise Europe Network

The Enterprise Europe Network, created in 2008 by the European Commission under the Competitiveness and Innovation Framework Programme (CIP), is an integral part of COSME. The Network helps SME to access new markets, find business partners, and provide information, advice and support on EU legislation and policies. It also aims at helping companies to find partners in foreign countries for commercial and technical partnerships or for collaboration in R&D projects. The Network additionally provides valuable support to SMEs with regards to access to finance and EU funding.

Joanna Drake, Director for the Promotion of SMEs competitiveness at the European Commission's DG Enterprise & Industry, underlined in October 2013 how the Network is "effective in seeking out SME needs and aspiration and concretise them via the knowledge, tools, competence and experience" of its members operating in more than 50 countries throughout Europe and beyond.

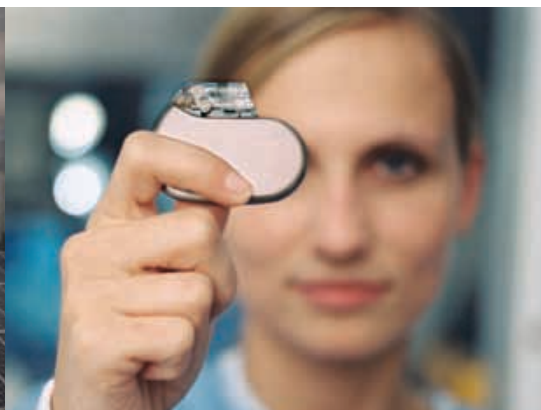
The Network consists of some 600 member organisations, such as chambers of commerce, regional development agencies and innovation support organisations. Acting as a one-stop shop for all business needs, it supports the

competitiveness and innovative capacity of EU SMEs through its local member organisations. In this way, by approaching the Network contact point in their region, entrepreneurs receive practical answers to specific questions in their own language.

Tailored business support in 17 sectors

In recognition of the fact that enterprises in different industries require different services, the Enterprise Europe Network provides SMEs with high-quality, added-value services in specific thematic areas. Created in 2008 by the European Commission, Sector Groups within the Network provide customised support to SMEs in 17 sectors, from Maritime Industry, Sustainable construction to Healthcare and ICT Industry. SMEs interested in eco-innovation can for example seek advice from the Environment Sector Group and benefit from its broad spectrum of services which ranges from information provision and organising specific events to individual consultation in different fields, including eco-innovation.

The mission of the Sector Groups is to enhance cooperation on specific subject matters, service areas of the Network and aim at coordinating the means available through the Network to provide services to a segment of clients. In practice, they organise sectoral trade fairs and brokerage events, support SMEs from a specific sector to reach partnership agreements between companies and exchange good practices for



the benefit both of the Network and SMEs. The activities of a SG also include helping SMEs to internationalise during company missions and to provide tailor-made information on EU legislation and funding opportunities within a specific sector or across sectors. As an example, the Aeronautics and Space Sector Group's activities included company missions and brokerage events for SMEs, typically linked to relevant fairs and conferences, such as the UK's Farnborough Airshow and the ILA air show in Berlin.

In other words, the Sector Groups represent a framework to discuss, plan and implement collaborative activities in order to provide client companies with services with a European added value. The Groups are made up of highly competent and dedicated specialists who help SMEs exploit commercial, technological and research opportunities in their sector. The Maritime Industries Sector Group, for example, provides opportunities for SMEs in several key industries such as seafood, shipping, shipbuilding, maritime logistics, offshore energy or coastal protection.

Six years of activity

The actions and activities undertaken by the Sector Groups are monitored and assessed by the Executive Agency for Small and Medium-sized Enterprises (EASME). The EASME also provides relevant support and applies simplified, user-friendly procedures to run activities and foster the success of Sector Groups. After six years

of operations, the Sector Groups have demonstrated to be an important catalyst of services within the Enterprise Europe Network. In addition, SGs often form the link between the Enterprise Europe Network and other European actors and projects. The bottom-up approach principle, which is the main concept on the basis of which the Sector Groups are conceived and operate, ensure pro-activity, a capacity of the Sector Groups to foster innovation and business cooperation and a commitment for quality, all of which benefit SMEs. The largest European Network connecting business to Europe is now entering a new phase under the COSME programme and Sector Groups, with their dedicated specialists, will remain at the service of SMEs through the Enterprise Europe Network.

Links:

Enterprise Europe Network: <http://een.ec.europa.eu>

Enterprise Europe Network Sector Groups: <http://een.ec.europa.eu/about/sector-groups>

Success Story:

Dutch food development company opens branch in Catalonia, thanks to the Enterprise Europe Network's Agrofood Sector Group.

The step from research to commercial application can be tricky, but it is one that Dutch sustainable food company Tournis Dynamic Innovations (TDI) negotiates well. It takes new technologies developed by companies clustered

around nearby Wageningen University, such as low-temperature pasteurisation, known as pascalisation, and finds public funds or private investors to help take them into production and onto the market.

Keen to go further afield, TDI approached Mylène Mesters of Agentschap NL, the Enterprise Europe Network branch in The Hague. Agentschap NL is also a member of the Network's Agrofood Sector Group, which is a powerful connector for thousands of European companies in that industry.

In 2010, TDI went to the Alimentaria food fair in Barcelona, a matchmaking event organised by Monica Duran Roca of Acc10, Mesters' Network counterpart in the Catalan capital. "We work very well together," says Mesters, "because we want to give our clients a high level of service."

The following year, they co-organised a Catalan mission to the Netherlands. The companies were all involved in sustainable manufacturing and concerned with such health issues as reducing sugar and fat content.

"We visited TDI," says Duran Roca. "A month later they were negotiating with Sairem, a Catalan company that is developing similar and complementary technologies."

TDI has now opened an office in Barcelona to further develop its work in Spain. "The positive meetings we had in the Netherlands with the Catalan companies influenced our decision to open our first office abroad in Barcelona," says TDI's Senior Project Manager Ed Westerweele.



Reinforcing Access to Human Capital and Competences



Koos RICHELLE

Director General of DG Employment, Social Affairs and Inclusion, European Commission

Skills as a parameter in global competition

The current financial crisis is a serious set-back for Europe's goal of reaching 75% employment across Europe. It led to very acute problems on European labour markets with unemployment figures reaching 26 million across the European Union in 2013. Returning to a path of sustainable economic growth and job creation in Europe, will require a long term skills development strategy and the correct articulation of both policies and tools. Our economies and labour markets are interdependent and without new forms of cooperation between Member States, companies will not have access to the skilled labour they need to succeed and compete on the global scene.

Europe cannot afford to let its skills base go to waste or remain stagnant and underdeveloped. Recent data from the PIAAC survey shows that one in five Europeans lack the basic skills, this being the gateway not only to all other skills but also to active participation in society. According to the latest European Company Survey, two out of five employers struggle finding staff with the right skills. In a globalised world, European firms are facing increasing competition from emerging economies worldwide. But the world has changed in the last decade. While low labour costs used to be the main competitive advantage of these countries, we are increasingly confronted with strong competition on skills. Indeed I could be said that skills have become a global economic currency.

For the knowledge intensive European economies this may become an even bigger challenge than competition on labour costs. Furthermore, demographic challenges will impose a far better utilisation of human capital in more dynamic labour markets, providing effective support for matching workforce skills with employer's needs. Therefore, the main aim of

European skills policies must be to increase the quality of human capital and ensure its efficient and relevant utilisation.

Enhancing skills intelligence

Skills policies need to be based on reliable evidence, i.e. on proper skills intelligence gathering tools. This requires a long-term investment and close cooperation with employers, trade unions, state authorities, training and education bodies and employment services. The aim is to spell out as clearly as possible the future needs of the labour market, the concrete challenges and the expected bottlenecks. The 2012 Employment Package¹ identifies three key sectors with skill shortages and significant potential for job creation: ICT, green skills and healthcare. Skills gaps in ICT are particularly evident. The European Vacancy Monitor highlighted that despite the crisis employment in ICT increased, while the number of students in this field declined.²

To support the collection of skills intelligence, the Commission has developed a website³ which acts as a gateway for a wide range of tools and intelligence sources to better align education and employment policies. The European Sector Skills Councils also provide a platform to better coordinate activities of social partners with the education and training sector.

Improving the supply of skills to the labour market

Of course, robust evidence on skills needs and shortages is only a first step. Skills intelligence needs to be translated into concrete measures: reforming training curricula, promoting apprenticeships and traineeships in fields in high demand, and adjusting teaching methods in line with the realities and needs of the industry. The new Erasmus+ programme⁴ offers financial support for establishing Sector Skills Alliances and Knowledge Alliances to develop concrete projects with impact at sectoral level.

Competences as currency on the labour market

Knowledge, skills and competences are the currency on the labour market. Employers are interested in what workers can do in practice,

no matter if the skills have been achieved in formal or informal learning, in the workplace or elsewhere.

In close collaboration with stakeholders, the Commission develops a classification of European Skills, Competences, Qualifications and Occupations (ESCO)⁵. ESCO is a common language to describe skills and competences on the labour market and in education and training.

ESCO enables competence-based job matching across Europe. To ensure that the right people work at the right place, we need to look at the talents of each jobseeker and match it with the specific job requirements of employers. It allows us to better meet the demands of employers, increase the job satisfaction of job finders and achieve a better utilisation of the society's skills potential.

Boosting mobility

Good local or regional partnerships between industry and education and training providers are the backbone of employer engagement in skills. However, often the recruitment needs cannot be met only on the local, proximity labour market. Even for SMEs finding the right candidates often implies looking further afield at national or European level.

The reform of the European network of Employment Services, EURES⁶, aims to give actual and real time access to employment opportunities and contribute to effective matching between labour supply and demand across Europe. The aim is to transform EURES into a more effective employment and recruitment instrument that enables Member States to offer mobility services in a flexible demand-driven way, in line with the needs of their own labour markets. Another aim is to move it up-market, enhancing its vacancy market share and making it more relevant to sectors that have not traditionally

1. <http://ec.europa.eu/social/main.jsp?catId=1039>

2. Cf. European Vacancy Monitor, November 2013,

<http://ec.europa.eu/social/main.jsp?catId=955>

3. <http://euskillspace.europa.eu>

4. <http://ec.europa.eu/programmes/erasmus-plus>

5. <http://ec.europa.eu/esco>

6. <http://eures.europa.eu>

engaged with Public Employment Services.

Supporting young jobseekers

Not only do employers need the right kind of support tailored to their needs. Also jobseekers can benefit from services to gain access to the labour markets. Efforts may be required particularly for young jobseekers, who, in the current economic situation, often find themselves in acute need for urgent support. The Youth Guarantee entails a quality offer of employment, further education, apprenticeship or traineeship for all young people up to the age of 25, within four months of becoming unemployed or leaving education. In order to successfully deliver such a guarantee, partnerships with employers and

businesses are of crucial importance in order to boost employment, apprenticeship and traineeship opportunities.

Strong business-education cooperation is also important as demonstrated by the European Alliance for Apprenticeships launched this summer. But forms of work-based learning can only exist if companies buy into this concept, offer apprenticeship places and cooperate with VET schools. This is where a strong commitment of industry would be needed.

It is not easy to put all the pieces of the skills puzzle in place for Member States, let alone for the European Union. The essential element here is cooperation at all levels: cooperation between the worlds of education and employment, across

and within sectors, between regions, Member States, and on European level. But such cooperation can only be scaled-up in a policy environment conducive to mutual exchange, partnership building etc. Good instruments need anchoring, a wide range of policies and good strategic coordination. Certainly, this is a long term agenda with no quick wins, but looking at the way the skills topic is increasing in profile and importance at European, national and local level, we have good reasons to be up-beat about it and invest all our efforts for the sake of our future competitiveness and growth.



Combining Quality of Services and Economic Efficiency to Services of General Economic Interest



Marc TARABELLA

MEP, Group of the Progressive Alliance of Socialists and Democrats, European Parliament
Rapporteur for Public Procurement directives

Services of general interest are, since years, at the core of the European political debate. They touch the central question on the role public authorities play in a market economy, in ensuring the right balance between the functioning of the market and compliance with the rules of the game by all actors and in safeguarding general interest, in particular the satisfaction of citizens' essential needs.

The reality of services of general interest in the European Union is complex because, both there is no single European legislation on this matter and there is a broad range of different types of activities, from the big network industries (energy, postal services, transport and telecommunications) to health, education and social services. Furthermore the services are varied in nature, and the organization of these services varies according to historical, geographical and cultural traditions and the characteristics of the activity concerned. Aware of this complex scenario, legislator must always take in consideration that the services of general economic interest are essential to our society: they enable participation and promote social justice and democratic coexistence; they help to create a decent way of life and are essential factors for solidarity and cohesion in our society.

The first crucial question arises: How can we ensure the continuing and high quality supply of services of general economic interest?

For policymakers and legislators the challenge behind the question is to ensure that these services are developed in a sustainable way.

In one hand, this thinking must be aimed to secure and further to develop high-quality services of economic general interest, but in the other hand it should be also pointed out that, where institutions operate in the market, they are subject to the rules of national and European competition law. These should, however, not be applied in a way that would run against the provision of those services. Indeed, the need to fund these services ends up becoming

a forced application of a pure market philosophy. Having only a market oriented approach would be harmful to the interests of society as a whole. The respect of principle of subsidiarity must be guaranteed in order to ensure the right balance between the citizens' rights, to have high quality services, and the obligation to respect market rules.

Furthermore the Member States themselves as well as their regional and local authorities have a crucial role to play in shaping services of general interest. What is needed is a rebalancing of the relationship between the state and the private sector in the respect of the concept of general interest. For this purpose the new directives on public procurement move in the right direction. Why? Because it **preserves the public provision of services**, notably in relation to SGEI, social security systems and performance of public tasks between public authorities and groupings of public authorities as a key basic principle of the legislation. How? By establishing the principle of free administration which allows to Member States and public authorities to define "*whether, how and to what they want extent to perform public functions themselves pursuant to Protocol N°26 on Services of General Interest and Article 14 of TFUE*".

In addition, the directives clarify a legal framework which, since years is object of European case law. For the first time, public public cooperation has been codified and excluded by the scope of procurement directive. This exclusion covers contracts between public authorities and entities (public companies) and sets a relevant precedent preserving existing system of in-house – notably for SGEI services – from rulings from the ECJ. Joint and horizontal cooperation between public authorities and entities is defined in a way which allows for the limited forms of non-controlling and non-blocking private capital participation and which requires a threshold of 80% of the activities to be provided by the legal entity (public company, PPP or other forms of publicly controlled economic entities) to the controlling public contracting authority.

This is a key provision to guarantee that the European Union and the Member States and their administrative subdivisions for the provision of services of general interest will be effective and duly deliver as required and desired by society.

The reform provides also a specific treatment for

social and health services. These will be subject to a lighter regime which takes into account their specific role and characteristics. They will be affordable and have to comply with high quality transparency and equal treatment obligations. In addition, in order to encourage a quality approach, the reform establish the use of the economically most advantageous tender criterion which means that Member States do not have to award such services on the basis of the lowest price alone.

Another key point of the reform enabling to ensure efficiency and quality, consist in its effective reinforcement of strategic use of public procurement. The mandatory respect of social and environmental criteria will strengthen the compliance with obligations established by international, European Union and national legislation in the field of social and labour environmental law as well as collective agreements. This allows for those values to be respected comprehensively in all the stages of the procedure.

This toolbox enables a public administration to make the best choice when it purchases. For the first time in European procurement legislation, social rights play a central role. This is the key to address public purchasing towards Europe 2020's goals.

Hence, in order to sustain comprehensive and continuous service provision public and non-profit providers are needed which must be able to refinance them appropriately and to continue to exist in competition with private sector providers. The codification of public public cooperation and its exclusion from the scope of the directives, the respect of subsidiarity principle, and the compliance with environmental, labour and quality criteria in awarding public contract, represent concrete actions in favour of the concept of general interest. This is a crucial issue to put forward especially in times of economic crisis. It is therefore important to provide effective public services which are aimed primarily at meeting social needs rather than at focussing on economic profit maximisation. Ultimately, a prosperous economy requires well-functioning and efficient systems of general interest. As part of a functioning infrastructure, they are an important prerequisite for the success of economic and entrepreneurial activities in Europe.

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We keep on believing in all those people
who fight to make their Country a better place,
in their daily battles, great and small.
Battles we can win, by fighting them

TOGETHER

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That's the way we fight.
Alongside the millions of individuals who, every day, turn into millions of warriors.

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