
Plenary session

Industrial Competitiveness of Europe Today and Tomorrow

After the welcoming address of the Rector, **Paul Demaret**, **Phedon Nicolaides**, Director of the Department of European Economic Studies at the College of Europe opened the session with the question “why is Europe not the most competitive location in the world”? The EU, as a whole, lags behind the US in terms of competitiveness while only some EU Member States achieve a high global ranking.

With a call for closer engagement between business and EU policymakers, the keynote speaker, **Johannes Hahn**, Member of the European Commission responsible for Regional Policy, outlined the efforts of the Commission to support competitiveness programmes. He stressed the role of EU2020 strategy and regional policy in fostering competitiveness. Within the EU2020 strategy, the EU can strengthen its social and economic infrastructure to foster business and innovation and highly skilled human force. This strong foundation should attract investments. However, the capacity of regional policy to become a platform for making EU regions more competitive and attractive to business can be enhanced with the following reforms:

1. Regional policy must be aligned with the EU2020 strategic goals and must aim at smart and sustainable growth. 30% of allocated resources have to go to R&D, ICT and low carbon economy technology.
2. Ex ante conditionality: Regions will need to have an innovation strategy for smart specialization before any funding. The aim is that the right environment will be created for efficient and effective research and innovation actions. The problem of the EU is not the availability of research spending, but rather the insufficient commercialization of research results.
3. Regions should focus on energy efficiency and key enabling technologies to reduce energy consumption and dependence on raw materials.

The Commissioner concluded by highlighting the efforts of the Commission, in cooperation with Member States, to promote smart and clean technologies as a main driver of innovation.¹

The speech of **Adrian van den Hoven**, Deputy Director-General of Business Europe reflected the view of business on EU as a place for manufacturing and on the competitiveness and attractiveness of the EU. A more industry-oriented policy should be on the agenda of the countries affected by the current economic crisis. The main challenge is the state of **the infrastructure** in which business operates. This challenge is intensified by the budget cuts of the EU. He argued that while the EU talks about competitiveness, it at the same time cuts the budget for actions that support competitiveness.

¹ See http://ec.europa.eu/enterprise/policies/industrial-competitiveness/amt/index_en.htm



Another driver for business is the **EU Industrial policy**, aiming at a target of 20% of the EU's GDP. The challenge here is that industrial policy does not receive the same priority because it is considered less important than other policy areas. Good initiatives are proposed by some services of the Commission but other services of the Commission may even oppose them. There is also the impression that the EU addresses problems through more regulation so that the end result is overregulation.

In response to a question concerning the impact of the precautionary principle and risk-based regulation in the EU, Mr van den Hoven pointed out to the conservative attitude of the EU towards risk. It acts as an obstacle to businesses seeking to commercialise innovative ideas and encourages them to leave the EU.

Tim Hanley, Global Leader of Manufacturing at Deloitte Touche Tohmatsu Limited, gave an overview of Deloitte's report on competitiveness. Among the key issues for the EU is the fact that as emerging countries transform into manufacturing economies they attract FDI in advanced manufacturing that was once destined mainly for Europe. Manufacturing matters because of the credible correlation between the economic development of a country and its advancement on the ladder of manufacturing capability. As for the drivers of global manufacturing competitiveness (based on CEOs' perception), the following appear to be important: access to innovation and highly skilled labour; public policy (government actions on the demand side pushing for more innovation); extensive trade flows; future middle class with substantial purchasing power; modern infrastructure and low costs - both of labour and of material resources, and clean energy.

There are reasons for optimism for the EU as it scores well on:

- High rate of skilled researchers;
- High ranking in innovation index;
- High labour productivity. Although the EU has high labour costs, it scores high on labour productivity, compared to the low labour costs but also low labour productivity in China.

Tomas Brännström, Senior Economist, DG Enterprise and Industry, defined key enabling technologies and explained the Commission's position on these kind of technologies. Key Enabling Technologies (KET) comprise different style of manufacturing, requiring high R&D, capital and labour-intensive methods and innovation.

Among the main challenges for the EU is the commercialisation of the products based on KET: EU has a decreasing trend of patent applications and the gap between the East Asia (number 1 in patent applications) and EU is increasing in relative terms.