



*European Economic and Social Committee*

**INT/288**  
**Modern industrial policy**

Brussels, 20 April 2006

**OPINION**

of the  
European Economic and Social Committee  
on the

**Communication from the Commission**

**Implementing the Community Lisbon Programme: A policy framework to strengthen EU  
manufacturing - towards a more integrated approach for industrial policy**

COM(2005) 474 final

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On 5 October 2005 the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

*Communication from the Commission - Implementing the Community Lisbon Programme: A policy framework to strengthen EU manufacturing - towards a more integrated approach for industrial policy*  
COM(2005) 474 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 28 March 2006. The rapporteur was Mr Ehnmark.

At its 426th plenary session, held on 20 and 21 April 2006 (meeting of 20 April), the European Economic and Social Committee adopted the following opinion by 38 votes to one with five abstentions.

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## 1. **Summary of the opinion**

- 1.1 The Lisbon strategy provides a wide range of horizontal measures to create a framework in order to make Europe more competitive. The sectoral approaches have so far been missing. With the new communication by the European Commission, the EU takes another step towards creating a common European Industry Policy. A common policy and common priorities should enhance Europe's competitiveness in the global context. The Commission communication on a framework for an Integrated Industry Policy is therefore highly welcome.
- 1.2 The EESC supports the Communication's wide analysis of necessary support measures in 27 sectors of manufacturing industry. The EESC also supports the setting-up of 14 sectoral and inter-sectoral task forces, with the objective of outlining more concrete measures to boost the competitiveness of European industry.
- 1.3 However, the communication fails to cover essential aspects of the shaping and implementation of a European industry policy. Responsibility for implementation is conferred on other units in the Commission, national and regional authorities, and industry itself. The issues of "who does what" are left to further consideration.
- 1.4 In particular, the communication does not highlight the necessary distribution of work between the EU and the national level. The 14 new sectoral task forces will mainly operate at EU level. The EESC emphasises that it is essential to establish coordination with the national level. This will save time – and industry can ill afford time losses.

- 1.5 Two areas where the communication does not provide much guidance are the governments' role in innovation and competitiveness and the borderlines between manufacturing industry and services.
- 1.6 For the work ahead, the EESC underlines the importance of close involvement of stakeholders, and particularly the social partners. The EESC finds it essential that the social partners can reach agreements on industry change and innovation, as is already the case in some EU countries.
- 1.7 With the communication, the EU is giving an answer to the question "Is there a future for European manufacturing industry?" The EESC for its part is ready to include European Industry Policy issues in the network set up for the Lisbon strategy.

## 2. **Introduction**

- 2.1 The mid-term review of the Lisbon strategy, as presented to the European Council in March 2005, gave a very mixed picture of what had been achieved in the first five years.
- 2.2 Where the Lisbon strategy has failed is particularly in the areas of economic and industrial growth and the creation of more and better jobs. In terms of global competition, Europe is facing difficulties. A number of index rankings concerning growth and competitiveness place the United States in a leading position, together with the Nordic countries. The big economies of Europe are far behind. In a recent ranking by the World Economic Forum, the UK was ranked as number 13, Germany as number 15, and France as number 30, immediately before Spain. On the other hand, it should be observed that some of the new Member States in the EU are managing well in terms of economic growth: in 2005, GDP growth rates in Slovakia and Poland were 5.5% and 5.4% respectively.
- 2.3 A recent survey of productivity growth, produced by the global business organisation "The Conference Board", indicates that, over a ten-year period, the leading European economies have been falling further behind the USA. The 15 old Members of the EU could report a productivity growth in 2005 of 0.5%, compared with 1.8% in the USA and 1.9% in Japan.
- 2.4 In response to the decisions made by the European Council in March 2005, the European Commission has presented a substantial number of proposals and communications over the year, targeting the issues of industry restructuring, productivity and competitiveness as well as, support for entrepreneurship and small- and medium-sized enterprises.
- 2.5 What has been missing in the palette of new proposals are efforts to target sectoral industry issues, particularly in manufacturing industry, and provide a basis for sectoral or vertical support measures. With the new communication on "Towards a more integrated approach for industrial policy", the Commission sets out to meet this need.

### 3. **Outline of the new policy framework proposal**

- 3.1 The Communication can be seen as the launch of a new process based on an analysis of the competitiveness situation of 27 segments in manufacturing industry.
- 3.2 The focus is on what the enterprises themselves see as bottlenecks for innovation, competitiveness and growth. The emphasis is on small and medium-sized enterprises (SMEs), which is logical, given that EU manufacturing industry consists of a large majority of SMEs, which represent 58% of manufacturing employment. A number of stakeholders were also consulted during the preparatory
- 3.3 The manufacturing sectors analysed in the communication cover four main areas: food and life science industries, machine and system industries, fashion and design industries, and basic and intermediate goods industries. In concrete terms, the analysis covers industries ranging from biotech and pharmaceuticals to mechanical and electrical engineering, and the defence and aerospace industries, and also covers textiles and furniture, ceramics, steel, chemicals and pulp and paper.
- 3.4 The assessment of the competitiveness of the 27 sectors used the following criteria:
- ensuring an open and competitive Single Market,
  - knowledge, such as research, innovation, and skills,
  - better regulation,
  - ensuring synergies between competitiveness, energy and environmental policies,
  - ensuring full and fair participation in global markets,
  - facilitating social and economic cohesion.
- 3.5 The sector conclusions indicate cases where "a policy challenge is considered of the highest priority for each sector amongst the many relevant policy challenges", to quote from the Communication. Even with this guidance, the conclusions are not quite transparent. In biotech, for example, demand for more research is registered, but not demand for more skills. For textiles, demands for research and skills are registered together with access to markets, but not the need to counter trade distortions.
- 3.6 The Commission proposes the launching of seven major cross-sectoral policy initiatives, in order to meet the common challenges and reinforce the synergies. The seven cross-sectoral initiatives are:
- Intellectual Property Rights and Counterfeiting Initiative
  - A high-level group on Competitiveness, Energy and the Environment
  - External aspects of competitiveness and market access
  - New legislative simplification programme
  - Improving sectoral skills

- Managing structural change in manufacturing
- An integrated European approach to industrial research and innovation.

3.7 In addition to the cross-sectoral initiatives, the Commission proposes a number of new sector-specific initiatives. These are a pharmaceuticals forum, a mid-term review of the life sciences and biotechnology strategy, new high-level groups on the chemicals industry and the defence industry, an initiative on the European space industry, a task-force on ICT competitiveness, and the launch of a mechanical engineering policy dialogue.

#### 4. **General comments**

4.1 The new Communication is the first major effort to create comprehensive sectoral initiatives for competitiveness and innovation in manufacturing industry. It is a welcome initiative. Horizontal schemes and initiatives are not enough. As it is structured, the new Communication provides a valuable basis for decisions on concrete action. The initiative includes a sophisticated analysis of growth and competitiveness issues in a number of industry sectors.

4.2 The Commission has presented the proposal as a framework for setting priorities. The guiding concern is to introduce measures to meet the challenges of globalisation.

4.3 What is missing is a clear link between the efforts at EU level, and the necessary involvement of governments, industry and stakeholders at national and regional level. This is supposed to be developed in the process ahead, particularly in the new sectoral and inter-sectoral task forces. There is, however, an obvious risk that this will mean much planning and limited implementation.

4.4 In order to avoid this, the EESC recommends that specific steps are taken for securing the necessary coordination. This would also give wider scope for active participation of various stakeholders.

4.5 The new communication, together with various other proposals and communications, represents another step towards the creation of a European Industrial Policy. Is this a realistic way to go? Bearing in mind the challenges ahead for Europe's industry, the EESC would conclude that this is probably the best way ahead, in terms of promoting competitiveness and utilising the specific advantages of the Union, such as its high knowledge base and a very large internal market.

4.6 The Commission is keen to underline that the new Communication is intended to be congruent with the spirit of the Lisbon strategy and to add to the total efforts of that strategy. Responsibility for the actual implementation, in terms of more research, or education, or regulation, will fall to other units in the Commission and to national and regional bodies. The planning and implementation have to be coordinated.

- 4.7 There is a certain ambivalence in the Commission's approach. The balance between horizontal programmes and new sectoral efforts should be further considered.
- 4.8 The Communication does not include resources for the various actions. Instead, the necessary resources at EU level are to come from the CIT programme, the Framework programme on research, the Structural Funds, and the education programmes, to mention the most important. Coordinating policies, including resources, will be a difficult and delicate task, particularly since the available European financial resources are relatively limited in relation to the needs and demands.
- 4.9 The introduction of advanced new production methods and machines, particularly in SMEs, will require credit on favourable terms. The EIB and the EIF should be involved closely in the work of the sectoral and inter-sectoral planning groups.
- 4.10 In the new proposal, the Commission focuses on the EU level, whilst regional aspects are only marginally highlighted. The importance of the metropolitan areas, with their vast potential for promoting industry innovation and competitiveness, is not included in the analysis. This, as well as issues pertaining to a regional industrial policy, will have to be considered in the process ahead.
- 4.10.1 The Committee notes that the Commission makes no specific proposals with regard to industrial sectors with a particularly high degree of regional concentration.
- 4.11 Three themes dominate in the responses from industry and stakeholders concerning measures for competitiveness: more research and connection to research, more education and training, particularly in skills, and easier access to financial support, particularly for entrepreneurships and micro enterprises.
- 4.12 Most of the manufacturing sectors analysed in the new Communication list upgrading of sectoral skills as a point where "a policy challenge is considered of the highest priority", to quote from the Communication. The issues of skills and upgrading of skills are of fundamental importance. The proposed cross-sector initiative on skills issues will hopefully provide innovative proposals.
- 4.13 The Communication pays little attention to the importance of governments in providing a level playing field for industry and particularly manufacturing industry. The work will no doubt generate a number of comments as to how the governments can support industry, in terms of education, transport systems, energy and ICT networks, to mention a few examples.
- 4.14 The Communication does not discuss the fact that the borderline between manufacturing industry and services is becoming more and more blurred. What does this mean in terms of human resources, market approaches and access, regulation and access to finance?

- 4.15 Concerning access to finance for SMEs, it can be noted that only five more specific demands are registered in the broad analysis of 27 sectors, namely pharmaceuticals, biotech, medical devices and mechanical and electrical engineering. It is rather surprising that the same demand was not registered for basic and intermediate goods industries, to take one example.

## 5. **Towards a European Industry Policy**

- 5.1 With the new communication by the European Commission, the EU is taking another step towards creating a common framework for a European Industry Policy. This is welcome. A common policy and common priorities should enhance Europe's competitiveness in the global context. At the same time, the European Industry Policy needs to be viewed in the context of the structures built up for support to industry (education and research being only two examples) and for consultation with employees, to mention just a few aspects. A sustained competitiveness for Europe is not possible without the full participation of society and citizens.
- 5.2 It is often stated that what industry wants is a level playing field with clear (and unbureaucratic) signalling systems. The position accepted by many is: as little red tape as possible, as much support in general terms as possible. To quote from a recent Competitiveness Council: "Ministers stressed that legislative and regulatory burdens should not have an adverse effect on competitiveness". At the same time, it can be argued that EU administrative obligations should not be presented as a mere cost factor, as they often replace 25 different national legislations and thus decrease operating costs. In a recent Commission communication, it is argued that regulatory costs, of which administrative obligations are just one element, must be analysed in a broad context, encompassing the economic, social and environmental costs and benefits of regulation.
- 5.3 The global competition confronting the EU and other groups of countries is fierce. There is no room for complacency. On the other hand, for Europe, growth and competitiveness can never be ends in themselves. There is a general recognition of the existence of a European social vision, summarised in the Lisbon strategy as follows: a high level of knowledge-based competitiveness, a high level of social cohesion ambitions, and a responsible policy in environment issues. A European industry policy is both part of the Lisbon strategy and an ambition that extends many years beyond the strategy. However, regardless of the time horizons, an industry policy will be part of the overarching priorities that have been formulated in the Lisbon strategy.
- 5.3.1 A revised strategy for sustainable development has been presented by the Commission, for Council decision later this year. The Framework Industry Policy is in line with the priorities of the strategy for sustainable development.
- 5.4 A European industrial policy should, in this perspective, focus on three priority purposes: to identify priority sectors for sustained competitiveness, to address priority measures for achieving this, and to accelerate the unification of the internal market as one of key steps to

promote the shaping of a level playing field. At the EU level this means paying careful attention to what can realistically be achieved by initiatives at European level. An Industry Policy with these objectives could provide a real added value to industry, to governments at national and regional levels and to the social partners and organised civil society.

- 5.5 The Committee welcomes the Commission's announcement of the creation of working groups looking at several aspects. However, it believes that it is still important to clarify the relationship between industrial policy and two other areas if certain ambiguities, which have been detrimental to the development of large European industrial projects, are to be removed.
- 5.5.1 First of all, the links between competition policy and industrial policy need to be clarified.
- 5.5.2 Secondly, the Commission has presented an action plan to modernise company law, one aspect of which involves strengthening the rights of shareholders. It is essential that this modernisation does not lead to the detriment of industrial investments.
- 5.5.3 It would be helpful if the commissioners responsible for the economic affairs, internal market, competition policy and Lisbon strategy were to coordinate with each other so as to avoid any risk of inconsistency that might jeopardise the credibility and efficacy of any relaunch of industrial policy.
- 5.6 A European industry policy must take into consideration the important role of the public sector, in supplying knowledge and infrastructure, to mention but two essential items. In some countries, close contacts are established between industry and the public sector. In other countries this is not the case. The importance of the public sector for innovation is illustrated by the fact that in the US, public expenditure on innovation is twice as high as in Europe. Even when taking into account that a big slice is expenditure for military purposes, the figure indicates the importance of the public sector. In a European perspective, a relevant example would be the past (and partly present) public expenditure in some countries on the development of new pharmaceutical products. The importance of the public sector is also illustrated by its role in the expansion of ICT facilities, especially broadband networks.
- 5.7 The mid-term review of the Lisbon strategy has also inspired the social partners to develop plans for securing a future for European manufacturing industry. The European Employers' organisation, UNICE, has presented extensive comments and proposals concerning the results of the Lisbon strategy so far. ORGALIME, representing the mechanical, electronic and metalworking industries in 23 European countries, has presented an extensive plan for the development of European manufacturing industry, as part of comments on the Commission Communication. On the employees' side, in the Autumn of 2005, the European Metal Workers' Federation (EMF) presented a plan entitled "Boosting European Manufacturing", which summarises a number of the proposals contained in the other plans.



- 5.8 The EMF plan lists 15 key measures divided into two blocs. The first, under the heading "Research and Development", emphasises the need for more resources for research and for more attention to social innovation; the second, under the heading "A social framework for innovation", lists additional concrete measures for promoting SMEs, entrepreneurship and lifelong learning, and for restructuring European labour markets with a focus on social security.
- 5.9 This action plan, like some other plans from the social partners, bears witness to a degree of convergence in the analysis of the challenges confronting European industry. There is, in general terms, broad agreement about the road ahead for Europe: This parallel identification of key challenges and measures provides a platform for social dialogue and social partner agreements in favour of innovation and competitiveness (cf. chapter 6).
- 5.10 The Lisbon strategy has been successful in promoting the concepts of a knowledge-intensive society and a leading role for Europe in skills, competences and research and development. The Barcelona European Council's decision to aim for 3% of GDP for research has been widely applauded and supported, in theory.
- 5.11 It is noteworthy that the Commission, in its dialogues and discussions with representatives of industry, has not found many new ideas and solutions for the important transfer of knowledge from universities to industry. The Commission will itself come back to these issues in a forthcoming communication. However, it must be up to the enterprises themselves to take the necessary responsibility for establishing relevant links with research. Bearing in mind the slow progress towards implementing the target of committing 3% of Europe's GDP to research and development, this absence of ideas for the knowledge transfer is worrying. Another cause for concern is the number of students of scientific and engineering disciplines in the EU, which is falling in comparison with the Union's main competitors. It is essential for SMEs to upgrade their existing human capital and to introduce an academic work force into production and innovation. The 7<sup>th</sup> Framework Programme should give support to SMEs for introducing advanced technological research and production techniques.
- 5.12 In this context, it should be recalled that, even if it commits 3% of its GDP to research, Europe will still be lagging behind both the USA and Japan. The target of 3% is an intermediate target, as some EU Member States have already acknowledged. The global competition will require higher ambitions over a 15 to 20 year time frames.
- 5.13 A similar comment can be made as to the need for more upgrading of skills and for more lifelong learning. A number of signals are coming from industry concerning issues such as more upgrading of skills, but these are not issues that can be solved at EU level. At EU level, the character of the needs can be identified and analysed, but the actual implementation has to take place at national and regional levels. CEDEFOP could no doubt disseminate information on important experiences.

- 5.14 In this context, it is worth recalling that the broader education policy debate on lifelong learning actually started in the early 1970s, with a major analysis by the OECD. However, since then, not very many really new approaches have been tried for bringing together the options and resources from industry itself, from the public sector, and from individuals themselves – who could ask for better opportunities for skills upgrading that promotes mobility in the labour market.
- 5.15 The focus on off-shoring and relocation of industries has drawn attention to the need to guarantee core workers rights on a global basis. The 1998 ILO agreement on the “Declaration of Fundamental Principles and Rights at Work” has provided a foundation for employment regulation, and a standard that should be applied throughout the international governance system. The OECD guidelines are political commitments by governments. If change is to be perceived as positive, it has to be demonstrated both that change need not be a zero sum game, and also that it is possible to manage change in firms, industries, regions and labour markets in socially equitable ways.
- 5.15.1 The importance of the European Works Councils should be recognised in this context. The Councils are a concrete response to the demands for a widely applicable structure for information and consultation within cross-border enterprises. Even if it takes time to build such structures, and even if the present Directive on Works Councils is somewhat vague, the councils are an indispensable part of the wider efforts to develop a European Industry Policy.
- 5.16 A European Industry Policy can make an essential contribution to Europe's competitiveness. The present Communication from the Commission is one building-block. The EESC has enumerated a number of others. The EESC would suggest that the Commission takes the initiative to launch further discussions and dialogues in the context of the Social Dialogue and other relevant fora.

## **6. Comments on the sector proposals**

- 6.1 The EESC supports the choice of screening parameters for the analysis of the 27 segments of manufacturing industry. Even with this very ambitious approach, some inconsistencies are obvious in the individual results of the analysis. The EESC supports the effort and the conclusions. The EESC can also support the choice of themes for the initial batch of sectoral and cross-sectoral task forces.
- 6.2 The EESC particularly welcomes particularly the planned High level Group on Competitiveness, Energy and Environment. Environment and energy-saving technologies can give the Union important advantages in the global context. The new global awareness of the dangers of climate change, as a result of too much dependence on fossil fuels, should give a forceful support to efforts to change production and consumption patterns. The task of the High level group is formidable. The fact that other countries – the US being just one example - are now also investing heavily in environment-friendly technologies makes it no less formidable.

- 6.3 Design is becoming a key factor in product development and product marketing. Design should be highlighted, not in a single sectoral task force, but as one of the horizontal issues in a couple of task forces. In a number of EU countries, industrial design has a long record of successes. It is important to build on this.
- 6.4 The Commission Communication does not explicitly deal with the issues of communication and of reaching out to industry itself and various stakeholder groups. However, bearing in mind that a considerable part of the implementation will have to be via information and communication, these issues will have to be given high attention. How else will the large group of SMEs get relevant information about joint partnerships and various support measures?
- 6.5 Another crucial aspect for the implementation will be the time factor. Product development in manufacturing industry is not a slow affair; the global competition is prohibiting that. For the various task forces at European level, it will be necessary to adopt tough time frames – in order to provide an added value to those concerned with industry decisions on investments and developments.
- 6.6 The EESC shares the Commission's concern that the transfer of EU jobs to low-cost countries will have painful local and sectoral consequences, particularly for low-skilled workers who should be helped to cope with the effects of industrial restructuring. The EESC has in other contexts advocated that the Structural Funds should be more and better used for active – and pro-active – measures in coping with the effects of globalisation. The recent proposal for a Globalization fund will be further considered by the EESC.

## 7. **A need for a widened social dialogue**

- 7.1 In some countries ambitious social partner agreements on industry innovation already exist as expressions of mutual interests and priorities for the further development of manufacturing industry.
- 7.2 To cite one noteworthy example, an Industrial Agreement between the social partners in Sweden was signed in 1997. Since then, the signatories to the Agreement have presented a number of proposals for achieving improved industrial competitiveness. In particular, the signatories have targeted issues such as the establishment of competitive industrial research institutes, increased exchanges between industry and educational establishments and institutes, innovation support for new and growing companies, and support for Industrial Development Centres. A number of the proposals have been accepted by government.
- 7.3 The EESC underlines that it is absolutely essential that stakeholders, and particularly the social partners, are closely involved in the process of innovation, competitiveness and restructuring. The tempo of change is not going to decrease. A pro-active approach to change, based on mutual confidence, is therefore becoming a necessity. Successfully managing industrial change requires a social dialogue based on consolidated, trust-based partnerships

and a culture of dialogue, marked by effective representation and stable structures. Effective representation also requires high levels of knowledge of the topical issues and choices.

- 7.3.1 A reference should be made to efforts of many European Works Councils (cf. § 5.14.1) to strengthen the competencies of those involved in the Council work. This is essential for both sides of the dialogue. Without high levels of knowledge and competence, the Councils will not be able to function as an essential part of consultation and dialogue.
- 7.4 The EESC expresses its hope that the Commission Communication for an integrated industry policy, together with other initiatives, will provide a platform of inspiration for close stakeholder, and particularly social partner, involvement in the processes of change. The EESC has outlined its positions on Social dialogue and industrial change in an opinion adopted in September 2005<sup>1</sup>.
- 7.5 In response to the conclusions of the 2005 European Council, the EESC has launched an interactive network covering experiences of implementing the Lisbon strategy. The EESC will in a positive way consider enlarging this network to cover issues concerning stakeholder and particularly social partner involvement in the shaping of the European Industry Policy.
8. In November 2005, the Consultative Commission on Industrial Change (CCMI) adopted a supplementary opinion<sup>2</sup> on the Communication on a more integrated approach for industrial policy. The rapporteur was Mr Pezzini.
- 8.1 The CCMI considered it extremely interesting that the European Commission is now addressing the issue of sector-specific policy within industrial policy. More specifically, the CCMI stated its belief that this sector-specific policy could have a real impact if it were addressed in a structured way within the context of social dialogue at local, national and EU levels.
- 8.2 The CCMI underlined, however, that the Commission communication is lacking in concrete initiatives, action plans and, above all, sufficient financial resources needed to back up policies. In this regard, it would be particularly important to involve the EIB and the EIF in enterprise projects.
- 8.3 The CCMI also underlined that the Commission should acknowledge the importance of the increasingly modern public sector.
- 8.4 Furthermore, the CCMI underlined the importance of a regional industry policy, outlined in a pro-active way. The CCMI also emphasized the importance of trade policy for a successful

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<sup>1</sup> OJ C 24 of 31 January 2006.

<sup>2</sup> CESE 1140/2005 fin.

industrial policy. Finally, the CCMI underlined the importance of core labour rights as expressed in ILO conventions.

Brussels, 20 April 2006.

The President  
of the  
European Economic and Social Committee

The Secretary-General  
of the  
European Economic and Social Committee

Anne-Marie Sigmund

Patrick Venturini

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**N.B.:** Appendix overleaf.

**APPENDIX**  
**to the**  
**OPINION**  
**of the European Economic and Social Committee**

The following amendment was rejected but obtained at least a quarter of the votes cast:

**Point 7.5**

Delete the second sentence:

*"In response to the conclusions of the 2005 European Council, the EESC has launched an interactive network covering experiences of implementing the Lisbon strategy. ~~The EESC will in a positive way consider enlarging this network to cover issues concerning stakeholder and particularly social partner involvement in the shaping of the European Industry Policy.~~"*

**Reason**

Emphasising specific social partner involvement in the shaping of the European Industry Policy plays down the role of small and medium enterprises, professional organisations, sectoral associations and the scientific community in implementing the Lisbon strategy.

**Voting**

In favour: 11  
Against: 27  
Abstentions: 1.

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