

Brussels, 27 October 2003

OPINION

of the Committee of the Regions

of 9 October 2003

on the

Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Industrial Policy in an Enlarged Europe

COM(2002) 714 final

THE COMMITTEE OF THE REGIONS,

Having regard to the *Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on Industrial Policy in an Enlarged Europe* (COM(2002) 714 final),

Having regard to the decision of the European Commission of 12 December 2002 to consult it on this subject, under the first paragraph of Article 265 of the Treaty establishing the European Community,

Having regard to the decision of its President of 4 November 2002 to instruct its Commission for Economic and Social Policy to draw up an opinion on this subject,

Having regard to its opinion on *An Industrial Competitiveness Policy for the European Union*, CdR 140/1995¹,

Having regard to its draft opinion (CdR 150/2003 rev 1) adopted on 13 June 2003 by the Commission for Economic and Social Policy (rapporteur: **Mr Roberto Pella**, President of Biella Provincial Council (I/EPP),

adopted the following opinion unanimously at its 51st plenary session, held on 9 October 2003

Views of the Committee of the Regions

The Committee of the Regions

1. **welcomes** the Commission communication and appreciates the work done, inasmuch as it responds to specific demands which it itself has expressed in relation to the need to keep focusing closely at European level on developments in industrial policy, in order to be able to react promptly to changes, which in this field are many and sudden;
2. **approves** of the approach taken by the Commission, which has developed its own analysis on the basis of the fundamental principles set out at the Lisbon European Council in Spring 2000 and later by the Gothenburg European Council in 2001;
3. **believes**, furthermore, that the principle expressed at the Gothenburg European Council regarding sustainable development is fundamental with a view to the balanced parallel development of the three factors of industrial competitiveness (knowledge, innovation and entrepreneurship);
4. is directly **involved**, in its capacity as the body that represents local and regional authorities in Europe, in all aspects of industrial policy - not only the predominant economic side, but also its close links with social, employment, training and environment policy;
5. **agrees** with the Commission's precise pinpointing of the numerous connections between industrial policy and other EU policies that have an impact on industrial competitiveness, and agrees that these need to be coordinated more effectively;
6. **notes** that poor growth in European productivity and relatively low employment levels are linked with persisting structural problems. Tax burdens should also be drastically reduced, including the levels of corporation tax and labour taxes;

7. **expresses** concern regarding the manifestly slow growth of European industry, particularly as the divergences between the various areas of the European Union are still too great;
8. **takes the view**, nevertheless, that careful analyses such as those presented by the Commission can help to identify the weak points of industrial policy and spark the necessary synergistic effects to address them rapidly;
9. **feels** that, as the communication stresses, the forthcoming enlargement of the Union is having a very positive impact, of which there is already evidence, but that it is important to foresee the inevitable problems, which it will be possible to address if the applicant countries apply the open method of coordination in compliance with the appropriate Treaty procedures;
10. **expresses** its firm intention to play an incisive role in shaping an effective industrial policy, through its constituent local and regional authority representatives, in the belief that the administrative decentralisation taking place in many Member States can help to rally all stakeholders to the policy, thus providing the conditions for a genuine application of the open method of coordination in compliance with the subsidiarity principle and the division of powers as laid down in the Treaty;
11. **urges** the Commission to make an analysis of the systems best suited to improving industrial policy and would express in particular its appreciation of two later documents, which were already anticipated in part by the present communication, namely the Green Paper on Entrepreneurship in Europe (COM(2003) 27 final) and the Communication from the Commission to the Council and the European Parliament on "thinking small in an enlarging Europe" (COM(2003) 26 final), as they contain fundamental observations for an effective industrial policy with a positive knock-on effect at local level;
12. **welcomes** the way in which the Commission has made a close connection between improving industrial policy and improving education and ongoing training systems for workers;
13. **believes** that in this respect there are a number of highly effective Community projects under way, and, on this note, would emphasise once more the effectiveness of the Galileo project for research and development;
14. **agrees** with the Commission that industrial policy has undeniable social implications, and therefore believes that it is crucial to promote an effective culture of entrepreneurship, above all through the direct involvement of local and regional authorities, in view of their close contact with the public.

2. Recommendations of the Committee of the Regions

The Committee of the Regions

1. **believes** that, of the specific objectives listed by the Commission, the local and regional authorities must be involved in particular in the stage of analysing the degree to which European industrial policy objectives have been met;
2. **is of the view** that European-level analyses of the effectiveness of industrial policy are essential to give an overall picture, to compare the effectiveness of the various solutions adopted by the Member States and to facilitate the exchange of good practice; however, it is also necessary to make bottom-up analyses, working from local level, in order to adopt specific industrial policies, with reference for instance to particular products, that can be pinpointed only with the involvement of the local and regional authorities;
3. **feels** therefore that the role of the EU is indispensable, not only in laying down framework conditions and as the primary observatory for all European policies, but also and above all as a body that is able to bring States, regions and local authorities into contact with each other, and that at European level enables them to pool successful solutions to the specific problems some of them may have in common;
4. **stresses** in particular the need to seek convergence among national policies, with a view to addressing the chaotic legislative environment that currently causes particular problems for small and micro businesses (SMEs);
5. **welcomes** the proposal for a more systematic EU approach to improving framework conditions, but is concerned at the slowness with which the Member States are moving into line with European policy; as the Commission is right to note, industrial policy must be as adaptable as possible to continuously and rapidly changing situations and although the policy will be implemented at European level, if the Member States are unable to transpose EU directives promptly, the growth of European industry will be seriously compromised;
6. **stresses** the need to strengthen the new approaches in European legislation designed to make it less burdensome for companies, in particular for small and micro companies, which are often unfortunately crushed by excessively heavy taxation. This requirement, essential for the Member States' small and micro companies, is all the more important for those in the applicant countries; a further danger inherent to enlargement may be the invasion of applicant country markets by major European groups, which could put smaller companies, especially family-run firms, in serious difficulty;
7. **calls on** the Commission, therefore, to take care to ensure that mergers and acquisitions, though essential for a truly competitive European industry on the global market, do not damage small and micro companies, which are crucial sources of creativity and innovation;
8. **urges** the Commission to devise strategies for the dissemination of good practice, such as SME groupings, which are a dynamic part of the European industrial landscape and a source of innovative ideas; certain European groupings can be held up as examples, for instance those in the biotechnology

sector, in the industrial areas of Munich and Stockholm and in north-west Italy's textiles sector;

9. **urges** the Commission to keep up its cooperation with the local and regional authorities, since, as it rightly stresses, the potential generated by regional policy must be fully exploited to support the restructuring process that will accompany enlargement;
10. **stresses** that active cooperation with the local and regional authorities is vital in order to simplify the administrative procedures faced by companies and thus help small and micro companies to fulfil their obligations, rather than continuing to spend funds on dealing with bureaucracy that could otherwise be used to improve the production process;
11. **urges** the Commission to put forward proposals to ensure that useful facilities set up by local and regional authorities for companies, such as the one-stop shop for companies set up in Italy, can be easily exported to other European countries, in particular the applicant countries. These one-stop shops are extremely useful not only for helping businesses to meet administrative requirements, but also for informing them about European initiatives;
12. **underlines** the fact that local and regional authorities can help to solve the problem of access to European and State funding for small and micro companies, especially in the light of EU enlargement;
13. **stresses** the vital role played by local and regional authorities in another area of European industrial policy, namely lifelong learning. The ever-increasing demand from companies for highly-trained staff should be met with synergic action from local and regional authorities, universities, training colleges, research institutes and companies;
14. **points out** that as the specific type of training required of workers is often determined locally, local and regional authorities - with the assistance of European funding - are in an ideal position to provide appropriate vocational training instruments; these instruments are all the more effective if, at European level, local and regional authorities are given an opportunity to compare notes with each other and disseminate good practice. With a view to securing a more effective industrial policy, with the emphasis on further training for workers, these issues should be tied in with the local and regional action plans for employment;
15. **agrees** with the Commission that research is the cornerstone of innovation, but recognises that effective information is another basic element that is essential with a view to combining innovative aspects that may appear to be irrelevant to each other, as was the case for instance in the textiles sector with the dual concepts of design and IT, which made the European textiles industry highly competitive on the world market;
16. **agrees** that the EU must be made into an ever more attractive production location, and stresses the need to enhance communications and the transport sector;

17. **urges** that Community and national policies recognise the importance of air freight for supply-chain management. Equally, e-commerce companies rely on the speed of delivery of goods as a determinant of success. Such air freight services, that are reliable, easily accessed and competitive, are of increasing importance, particularly in peripheral areas;
18. **stresses** the significant entrepreneurial capacity and potential of ethnic minorities, while recognising that the European Commission noted this in its Green Paper on Entrepreneurship in Europe (COM(2003) 27 final), and calls on the Commission to explore potential solutions to the difficulties facing this category of entrepreneur, which, as the Commission's findings show, appears to benefit less than average from public business-support services and has few contacts with business organisations; local and regional authorities can play a crucial role in helping ethnic-minority entrepreneurs to overcome these difficulties;
19. **calls** on the Commission to continue the efforts it has begun at European level to help small and micro companies set up and sustain business activities;
20. **stresses** that local and regional authorities serve the public and can help to establish a healthy culture of entrepreneurship, while also providing simple and effective tools that can enable creative and innovative European citizens to give serious consideration to setting up their own companies;
21. **draws attention** to a principle mentioned by the Commission in its Green Paper on Entrepreneurship in Europe, regarding the need to make European society view business failure in a less categorically intransigent way, so that those who have taken the risk inherent in any business project and have failed for reasons other than incompetence or fraud, can still contribute to the growth of the European economy;
22. **draws** the Commission's attention to its own figures on the crisis in the manufacturing sector, where productivity growth has been significantly lower than in the USA; stimulating the manufacturing sector will bolster the EU's growth potential. It therefore hopes that a specific directive will soon be forthcoming to support the manufacturing sector, providing funding for sectors of production which can significantly boost EU competitiveness, such as textiles, construction and other labour-intensive sectors;
23. **underlines** the need to strengthen the EU's internal market and notes in this respect that the Commission has not paid sufficient attention to this matter; the arrival of the accession countries may give the internal market a positive new competitive boost, which would definitely be of great benefit to European industry at all levels;
24. **agrees** with the Commission on the need for consumer and public health protection policies as an essential precondition for consumer confidence and thus internal market growth;
25. **is convinced** that an important aspect of EU industrial policy must be the obligation to issue a "traceability" notice with every product placed on the

market giving details of all production locations and individual producers in the chain, with the aim of addressing the lack of transparency in information; consumers are increasingly aware of their right and duty in this respect, as it concerns their freedom of choice and their safety;

26. **calls** on the Commission to consider putting forward strategies to prevent European products from suffering the negative effects of inadequate customs tariffs, which frequently weaken the competitiveness of European industry;
27. also **underlines** the need for a Community patent, in order to provide proper protection for intellectual property;
28. **urges** the Commission to continue to pay serious attention to strategies to alleviate the adverse social effects of the inevitable restructuring that will have the unfortunate effect of aggravating local and regional authorities' difficulties dealing with new areas of social hardship;
29. **underlines** the need - greater now than in the past - to secure sustainable development, and recommends taking direct action to provide the applicant countries with all the tools they will need to secure it, not least at local level; once again, there is no concealing the vital role played by local and regional authorities both in the preparatory phase of shaping proper cultural awareness and at the stage of devising tools to promote sustainable development.

Brussels, 9 October 2003

The President
of the
Committee of the Regions

The Acting Secretary-General
of the
Committee of the Regions

Albert Bore

Gerhard Stahl

¹ OJ C 100, 2.4.1996 p. 14

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