

GENERAL PRINCIPLES OF EU INDUSTRIAL POLICY

The EU's industrial policy aims to improve the competitiveness of European industry, thereby ensuring that it can maintain its role as a driver of sustainable growth and employment in Europe. Article 173 of the Treaty on the Functioning of the European Union represents the legal basis for the EU's industrial policy. Various strategies have been adopted in order to ensure better framework conditions for the EU industry; the most recent being the flagship initiative 'An industrial policy for the globalisation era', which was included in the 'Europe 2020 Strategy'.

LEGAL BASIS

Industrial policy has been incorporated into EU legislation since the Maastricht Treaty. Article 173 of the Treaty on the Functioning of the European Union (TFEU) established that 'the Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist'. Most industrial policy is not carried out at EU level, but under the competence of the Member States. Accordingly, the Commission may take the initiative to coordinate the actions of Member States, for example by establishing guidelines, organising exchanges of best practice and ensuring both the monitoring and evaluation of industrial policies. The European Parliament (EP) and the Council, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, may decide on specific measures in support of action taken in the Member States. However, action aiming at harmonising the laws and regulations in the Member States is excluded.

OBJECTIVES

Industrial policy is horizontal in nature and aims to secure framework conditions favourable to industrial competitiveness. According to Article 173 TFEU, EU industrial policy is specifically aimed at: 'speeding up the adjustment of industry to structural changes; encouraging an environment favourable to initiative and to the development of undertakings throughout the Union, particularly small and medium-sized undertakings; encouraging an environment favourable to cooperation between undertakings; fostering better exploitation of the industrial potential of policies of innovation, research and technological development'. Industrial policy is well integrated into a number of other EU policies, which contribute to achieving these objectives.

- **Greater openness of the world trading system:** specifically, the opening of protected third-country markets to EU producers and service suppliers. By giving EU producers cheaper access to foreign inputs while subjecting them to increased competition from third countries, it both enables and forces them to improve their competitiveness.
- **Single market-related policies:** these generally have a positive impact on competitiveness, in particular, by fostering liberalisation of markets and harmonisation of rules.

- **R&D policy:** reinforcing the knowledge base and focusing on key enabling technologies.
- **Competition policy:** inducing firms to enhance their efficiency and better enable their survival within their markets. It also helps to prepare EU companies for the challenge of third-country markets.
- **Social and employment policies** (including vocational training): they have a key role to play in ensuring that the promotion of competitiveness forms part of the balanced implementation of the Europe 2020 Strategy. Constant upgrading of workers' skills and quality helps meet demand in the labour market and contribute to the knowledge-based economy.
- **Consumer protection and public health policy:** essential preconditions for consumer confidence which is the basis for stable and growing demand.
- **Environmental protection:** may need to restrict or even ban the use of certain inputs or technologies, which can raise production costs in the short term. In the longer term, however, it can help EU companies gain a competitive edge at global level and create new markets for clean products and technologies.

ACHIEVEMENTS

A. Introduction

The instruments of the EU's industrial policy, which are those of enterprise policy, aim to create the general conditions within which entrepreneurs and businesses can take initiatives and exploit their ideas and opportunities. Nonetheless, industrial policy should take into account the specific needs and characteristics of individual sectors. Many products, such as pharmaceuticals, chemicals and automobiles are therefore subject to detailed sector-specific regulations matching their inherent characteristics or use (*4.8.5). Annual European competitiveness reports (the most recent one being published on 28 October 2010 (SEC(2010) 1276)) analyse the strengths and weaknesses of the European economy in general and the European industry in particular, and may trigger cross-sectoral or sectoral policy initiatives.

B. First steps

The EU's industrial strategies of the 1980s and 1990s mainly focused on improving the EU's competitiveness through research, innovation, technological development and internal market-promoting policies. A few examples are mentioned below.

- The initiatives taken to complete the internal market announced in the Commission's **1985** White Paper entitled '**Completing the internal market**' (COM(85) 0310), gave EU industrial policy a major boost. An integrated market should give industry the advantages already enjoyed by its American and Japanese competitors in their substantial internal markets, including opportunities for mass production, specialisation, economies of scale, transnational cooperation among enterprises, technical harmonisation, research, innovation, investment and EU-wide tendering.
- In **1990**, the Commission communication on '**Industrial policy in an open and competitive environment**' (COM(90) 556) proposed a coherent industrial policy

strategy aimed at creating general conditions to improve the competitiveness of EU industrial policy and compensate where necessary for market failure.

- The **1993** Commission White Paper entitled **‘Growth, competitiveness, employment — The challenges and ways forward into the 21st century’** (COM(93) 700) referred to the particular importance of expanding research and technological development, adjusting education and training systems and accelerating the installation of trans-European networks, especially in the areas of transport, telecommunications and energy, in a partnership between the public and private sectors.
- The **1995** Commission report (SEC(95) 437 final) on **‘Implementation of Council resolutions and conclusions on industrial policy’** showed that action taken by the EU on industrial policy contributes to a general improvement in competitiveness. The Commission reviews the state of competitiveness of EU industry in annual reports.
- The **1998** Commission communication entitled **‘Competitiveness of European enterprises in the face of globalisation’** (COM(98) 718) invited industry, trade unions and the EU institutions to define a new industrial policy and proposed measures for improving the competitiveness of EU companies in the global market.
- In view of European enlargement, the Commission considered it necessary to examine the future of EU industrial policy. In **2002**, its communication on **‘Industrial policy in an enlarged Europe’** (COM(2002) 714) underlined the key role of knowledge, innovation, research, entrepreneurship and sustainable industrial production in a global economy. This communication was followed by the 2004 communication entitled **‘Fostering structural change: an industrial policy for an enlarged Europe’** (COM(2004) 274).
- The **2003** communication on **‘Some key issues in Europe’s competitiveness – Towards an integrated approach’** sketched out an analysis of the problem of deindustrialisation. The Commission proposed three types of action to accompany structural change. Firstly, the EU must continue its efforts at better legislation and creating a regulatory framework that is favourable to industry. Secondly, the synergies between different Community policies having an impact on industry’s competitiveness need to be better exploited. Thirdly, the Union must continue to develop the sectoral dimension of industrial policy.

C. C. Towards an integrated industrial policy

In July 2005, for the first time, a Commission communication on 'Implementing the Community Lisbon Programme: a policy framework to strengthen EU manufacturing — towards a more integrated approach for industrial policy' (COM(2005) 474) set out an **integrated approach** to industrial policy based on a concrete work programme of cross-sectoral and sectoral initiatives, announced as part of the EU’s Lisbon Programme. Seven **cross-sectoral policy initiatives** were outlined, including the following.

- An intellectual property rights and counterfeiting initiative: intellectual property rights (IPR) were perceived as being of key importance for the competitiveness of many industrial sectors.

- A new legislative simplification programme: better regulation at various levels had been identified as a key challenge for several sectors, in particular with regard to the automotive sector, the construction sector and waste legislation.
- An integrated European approach to industrial research and innovation: help in anticipating opportunities to improve research and innovation investment, and to foster the commercialisation of new technologies within Europe.

In addition, the communication introduced a number of new political **sector-specific initiatives** in different fields such as pharmaceuticals, aerospace and chemicals. The initiatives included political, regulatory or technical actions. The '**Mid-term review of industrial policy**' (COM(2007) 374) concluded that the actions described in the 2005 communication had benefited Europe's industries, both with regard to large companies and SMEs. It was underlined that the integrated approach had proved successful, and had the support of EP and the Member States. Consequently, it was argued that the framework should be kept in place, as it would allow industry to best respond to the challenges of globalisation and climate change.

D. D. Other recent initiatives related to the EU's industrial policy

The **2008** Commission communication entitled '**Sustainable consumption and production and sustainable industrial policy action plan**' (COM(2008) 397) aims at delivering an integrated package of measures to foster **more sustainable consumption and production**, while improving the competitiveness of the European economy. In order to achieve this 'virtuous circle', the action plan proposed to make use of a variety of policy instruments. For example, consumer demands are to be channelled towards more sustainable consumption through a simplified labelling framework. In response to the challenges to ensure a **sustainable supply of non-energy raw materials** for the EU economy, the Commission initiated 'The raw materials initiative' (COM(2008) 699), seeking to ensure a level playing field in access to resources in third countries, better framework conditions for extracting raw materials within the EU and a reduced consumption of primary raw materials through the increase of resource efficiency and the promotion of recycling. A recent Commission communication (COM(2011) 21) proposed to reinforce the implementation of the raw materials initiative by pursuing a three pillar approach. Pillar 1 focuses on a fair and sustainable supply of raw materials from global markets, pillar 2 addresses the issue of sustainable supply within the EU and pillar 3 deals with improving resource efficiency and promoting recycling. In the communication 'Preparing for our future: developing a common strategy for key enabling technologies in the EU' (COM(2009) 512), the Commission outlines that the EU will foster the **deployment of key enabling technologies** within its current policy framework and also suggests setting up a high-level expert group in charge of developing a common long-term strategy.

E. E. The Europe 2020 Strategy and 'An industrial policy for the globalisation era'

In March **2010**, the Lisbon Strategy was replaced by the Europe 2020 Strategy ('**Europe 2020 — A strategy for smart, sustainable and inclusive growth**' (COM(2010) 2020). 'Europe 2020' puts forward seven flagship initiatives. Four initiatives are especially relevant for the improvement of the competitiveness of EU's industry: 'Innovation Union' (COM(2010) 0546); 'A digital agenda for Europe' (COM(2010) 245); 'An industrial policy for the globalisation era' (COM(2010) 614);

and 'New skills for new jobs' (COM(2008) 868). The flagship initiative 'An industrial policy for the globalisation era' focuses on 10 actions for European industrial competitiveness, thereby placing more emphasis on, for example, the growth of SMEs and the supply and management of raw materials. Some of the actions are mentioned below.

- The creation and growth of **SMEs** will be supported by making it easier for them to access credit and help their internationalisation.
- A strategy to strengthen **European standardisation** will be presented to meet the needs of industry.
- European **transport, energy and communication infrastructure** and services will be upgraded to serve industry more efficiently, taking better into account today's changing competitive environment.
- A new **strategy on raw materials** will be presented to create the right framework conditions for the sustainable supply and management of domestic primary raw materials (see COM(2011) 25)).
- **Sector-specific innovation performance** will be addressed through actions in sectors such as advanced manufacturing technologies, construction, biofuels and road and rail transport, particularly in view of improving resource efficiency.
- The challenges of energy-intensive industries will be addressed through actions to improve **framework conditions** and support innovation.
- A **space policy** will be pursued, developed in collaboration with the European Space Agency and Member States. The Commission will develop a space industrial policy to create a solid industrial base covering the whole supply chain.

ROLE OF THE EUROPEAN PARLIAMENT

The Maastricht changes to the EC Treaty dealt with the question of industrial policy for the first time — an achievement that can be attributed to initiatives by the EP, which helped to stimulate the reorganising of the steel sector and called for a more dynamic industrial policy. Since then, the EP has adopted numerous resolutions which have further strengthened the EU's industrial policy. Some of the most recent are as follows.

- 9 June 2005: 'Strengthening European competitiveness — The effects of industrial change on policy and the role of SMEs' (2004/2154(INI)) welcomed the Commission's decision to make industrial policy a priority on the EU agenda and supported the promotion of a proactive industrial policy to foster and anticipate structural changes and develop a sound and competitive industrial base.
- 5 July 2006: 'A policy framework to strengthen EU manufacturing — Towards a more integrated approach for industrial policy' (2006/2003(INI)) welcomed the Commission communication, which set out a policy framework and an enhanced work programme for the manufacturing industries for the coming years and considered this communication to be a major building-block for shaping a sound and balanced industrial policy by combining concrete sectoral actions with cross-sectoral policy initiatives.

- 22 May 2008 on the mid-term review of industrial policy: a contribution to the EU's Growth and Jobs Strategy (2009/C 279 E/12) urged, inter alia, both the Commission and Member States to increase their efforts to reduce the administrative burden for enterprises, and highlighted the importance of a transparent, simplified intellectual property rights policy.
- 16 June 2010 on the EU 2020 Strategy, while strongly supporting an industrial policy, aimed at creating an environment well suited to maintaining and developing a strong, competitive and diversified industrial base in Europe. It further stressed that this strategy should disclose the costs and benefits of the conversion to a sustainable, energy-efficient economy.
- March 2011 on an industrial policy for the globalised era (2010/2095(INI)) underlined the importance of a more comprehensive vision for European industry in 2020 as long-term regulatory predictability and stability were considered essential to attract investments. In particular, it urged the Commission to place greater emphasis on industrial renewal, competitiveness and sustainability, and to develop an ambitious, eco-efficient and green EU industrial strategy.

Jonas Teusch and Dorte Høst Sarup
March 2011