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Committee on Industry, External Trade, Research and Energy

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REPORT

on industrial policy in an enlarged Europe
(COM(2002) 714 - 2003/2063(INI))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Olga Zrihen

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PROCEDURAL PAGE

By letter of 12 December 2002 the Commission forwarded to Parliament its communication on industrial policy in an enlarged Europe (COM(2002) 714), which was referred for information to the Committee on Industry, External Trade, Research and Energy, the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs

At the sitting of 10 April 2003 the President of Parliament announced that the Committee on Industry, External Trade, Research and Energy had been authorised to draw up an own-initiative report on that subject, pursuant to Rule 47(2) and Rule 163 of the Rules of Procedure, and that the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs had been asked for their opinions.

The Committee on Industry, External Trade, Research and Energy had appointed Olga Zrihen rapporteur at its meeting of 23 January 2003.

The committee considered the draft report at its meetings of 10 June 2003, 9 July 2003, 25 August 2003 and 2 October 2003.

At the last meeting it adopted the motion for a resolution by 38 votes to 2.

The following were present for the vote: Luis Berenguer Fuster, chairman; Peter Michael Mombaur, vice-chairman; Yves Piétrasanta, vice-chairman; Olga Zrihen Zaari, rapporteur; Konstantinos Alyssandrakis, Sir Robert Atkins, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Willy C.E.H. De Clercq, Harlem Désir, Carlo Fatuzzo (for Bashir Khanbhai), Concepció Ferrer, Christos Folias (for Guido Bodrato), Norbert Glante, Michel Hansenne, Roger Helmer (for Dominique Vlasto), Werner Langen, Rolf Linkohr, Caroline Lucas, Eryl Margaret McNally, Erika Mann, Marjo Matikainen-Kallström, Ana Clara María Miranda de Lage, Bill Newton Dunn (Colette Flesch), Seán Ó Neachtain, Reino Paasilinna, Paolo Pastorelli, Elly Plooij-van Gorsel, John Purvis, Godelieve Quisthoudt-Rowohl, Imelda Mary Read, Mechtild Rothe, Christian Foldberg Røvsing, Paul Rübig, Konrad K. Schwaiger, Esko Olavi Seppänen, W.G. van Velzen, Alejo Vidal-Quadras Roca and Myrsini Zorba.

The opinions of the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs are attached.

The report was tabled on 3 October 2003.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on industrial policy in an enlarged Europe (COM(2002) 714 - (2003/2063(INI))

The European Parliament,

- having regard to the Commission communication (COM(2002) 714,
 - having regard to the Commission communication on implementation of the risk capital action plan (RCAP) (COM(2001) 605),
 - having regard to the Commission report on the implementation of the European Charter for Small Enterprises (COM(2003) 21),
 - having regard to the Commission communication entitled ‘Thinking small in an enlarging Europe’ (COM(2003) 26),
 - having regard to the Commission communication entitled ‘Investing in research: an action plan for Europe’ (COM(2003) 226),
 - having regard to the Commission communication to the Council, the European Parliament, the European Economic and Social Committee, and the Committee of the Regions entitled ‘Internal Market Strategy – Priorities 2003-2006’ (COM(2003) 238),
 - having regard to its resolutions of 11 July 1991 on Community industrial policy in an open and competitive environment¹ and 29 June 1995 on the Commission communication concerning an industrial competitiveness policy for the European Union²,
 - having regard to the conclusions of the Lisbon and Göteborg European Councils, which aim to make the EU economy the world’s most competitive knowledge-based economy, guaranteeing sustainable development by balancing the three economic, social, and environmental pillars,
 - having regard to Rules 47(2) and 163 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy and the opinions of the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs (A5-0328/2003),
- A. welcoming the Commission communication, which, on the eve on enlargement, addresses the question of industrial policy and points to the importance of manufacturing industry for the European economy,
- B. noting with satisfaction that, after ten years, industrial policy is back on the EU agenda; sees this new type of industrial policy characterised by support for change as opposed to protection of industries which fail to meet consumer choices or public needs; states that

¹ OJ C 240, 16.9.1991, pp. 213-219.

² OJ C 183, 17.7.1995, pp. 26-29.

enlargement will be a major source of opportunities, in the long term, for industry in the new and existing Member States alike; it should make a positive contribution to the overall EU industrial policy,

- C. reaffirming the importance of encompassing industrial policy within the Lisbon and Göteborg goals and the related process intended to make the EU economy the world's most competitive knowledge-based economy, guaranteeing sustainable development by truly balancing the three economic, social, and environmental pillars,
- D. underlining the fact that the EU's Lisbon agenda provides an excellent framework for implementing the requirements of a horizontal policy on industry that looks to the future nationally and at EU level, and that any delay in implementing the Lisbon agenda will therefore be at the expense of industry and the dynamism and talent for innovation that spring from it,
- E. underlining the fact that a lively industrial sector is a precondition for improved social and environment policy standards; calls on the Commission, as it seeks a balanced relationship between the three pillars, to take previous legislation into account as well; suggests that over-regulation is holding back the European economy and may lead to further below-average productivity growth,
- F. drawing attention to the importance of taking account, in a balanced way, of the economic, social and ecological effects of new technologies in the context of sustainable development; emphasises that integrating the sustainable development requirement into production processes and product design can give Europe's industry a competitive advantage in future markets,
- G. noting that the Lisbon strategy calls for EU economies to be not just competitive but dynamic; recognises the needs and wishes of workers as well as companies for flexibility as well as flair in order to secure this; calls for the promotion of such flexibility to be promoted with greater vigour,
- H. whereas in assessing the goal of competitiveness account should be taken of the real development potential of the European economy, and particularly its most important production factor (namely the human element), the specific feature commonly known as the European social model and its technological capabilities, and not the comparative advantages of our rivals in terms of their labour costs and their gap-ridden regulations,
- I. whereas social factors such as education and life-long learning, the qualification levels of workers, the quality of work and better use of innovative ways of organising work are productive factors of increasing importance for the competitiveness of European industry,
- J. whereas social dialogue is a tool that makes it possible to balance all the interests of those involved in a constructive and creative manner; whereas continuing social dialogue is an indispensable component of a real European industrial policy, functioning by providing information to, consulting with and ensuring the participation of workers at times of structural adjustment, as at all other stages in the development of a company,

- K. whereas social dialogue comprises modern management which must fully integrate the new forms of entrepreneurial governance,
- L. believing that a genuine industrial policy must be based on an economic policy in favour of industry and business as well as continuous social dialogue; stresses the importance of ensuring that all legislation relating to industrial policy is subject to thorough impact assessments in all the Member States, including the enlargement countries, to ensure that it does not entail additional burdens on industry and competitiveness,
- M. underlining the fact that accession countries' industry has undergone significant restructuring and modernisation in the last decade; expects enlargement to make a positive contribution to industrial competitiveness; states, nevertheless, that sizeable differences still exist and further adjustments are to be envisaged; is convinced that strategies for economic development based on the competitive advantage of social dumping, particularly with regard to wages, will prove to be a hindrance for sound economic development already in the medium term,
- N. noting as a positive feature that the improvement of industrial competitiveness is founded on knowledge, innovation and the entrepreneurial spirit; highlights the challenge of ensuring that competitiveness does not come at the expense of social factors such as education and life-long training, labour skills, work quality and better use of innovative forms of work organisation - all of which can be productive factors and do not have to be just considered as burdens on business,
- O. whereas research has a vital role to play in enabling European industry and companies to maintain and build on their technological advantage; whereas the target of 3% of GDP to be earmarked for research should accordingly be fully supported; whereas it should be borne in mind that in view of the essential role played by small and micro-businesses, including those operating in craft sectors, in research, innovation and disseminating research results, this 3% target will only be achieved by means of a vigorous and proactive policy to support them, in line with the European Charter for Small Enterprises,
- P. supporting the goal of 3% of GNP dedicated to R&D expenditure by public and private organisations; emphasises the important part played by enterprises in attaining this goal and strongly urges that the appropriate political framework be set up at European and national level to enable industry, and particularly SMEs, significantly to increase their R&D expenditure,
- Q. States that the success of both product and process innovation crucially depends on the ability of enterprises to bring in appropriate reforms of administrative structures and work organisation; notes that good managerial skills are required to identify and implement such strategies; calls upon industry to secure international excellence of its management;
- R. stressing that skill-improvement strategies need commitment from governments and enterprises alike; urges, in this context, to reverse the trend of decreasing public and

private spending in education, training and lifelong learning, and to increase incentives for individuals to keep their qualifications updated,

- S. supporting the Commission's commitment to research and development and its determination to strengthen cooperation with companies in the industrial sector; invites the Commission to involve a wide range of partners – universities, local government, chambers of commerce and industry - in order to achieve optimum results both in terms of the maintenance and quality of employment and of the quest for full employment; hopes that the potential of information and communication technologies in terms of job creation will not be overestimated; furthermore, calls for link-ups to be encouraged between information and communication technologies and traditional industries particularly prone to acute sectoral crises; stresses the importance of developing a strong SME sector in an enlarged EU in order to boost employment potential through the acquisition of the necessary skills, particularly in regions in difficulty,
- T. pointing to the importance of the territorial dimension of industrial policy, not least as regards the particular industrial conversion efforts required in regions where traditional economic sectors are being restructured or which are suffering from the general impact of the process of change or the concentration of direct foreign investment in the central and eastern European countries, and the essential need to develop industrial clusters,
- U, urging the EU to fully take account of social, environmental and regional aspects of the restructuring processes and to fully involve the relevant political and social representatives, as well as regional and/or national governments and the social partners, in working out specific programmes to resolve and counterbalance the painful consequences of restructuring,
- V. insisting on fully taking account of regional aspects of the restructuring process and the implementation of measures in each region; calls for coordination and an interdependent relationship between EU regions in implementing EU industrial policy,
- W. whereas assessment of the impact on competitiveness should be viewed as one of the factors to take into account when legislative decisions are made; whereas, however, it would not be sensible to disregard every other consideration, for example ethics, the public health impact, public funds, or the employment situation,
- X. whereas 98% of companies in the EU are SMEs; whereas their potential should be encouraged to the full, in connection with enlargement, focusing in particular on problems arising from excessive taxation and the high cost of labour, as examples of factors with a seriously restrictive effect on the creation and growth of SMEs in Europe, on the training of their management and workers, increased participation in the EU research programme, proper funding, having regard to Basel II, and a more even spread of failure risks,
- Y. suggesting industrial networks (e.g. on save spends, shared training resources, partnership between universities and industrial sectors) in the way to reach gamma economies and in order to enhance the exchange of good practices and results,

- Z. whereas over 95% of companies are small companies and 92% are micro-businesses, which account for most new jobs created; whereas these companies should not be equated with each other by an overly routine use of the term 'SMEs'; whereas policies should be implemented that are tailored to their needs, taking into account the various types and categories of craft or commercial companies,
- ZA. whereas small and micro-businesses are of vital importance in the development of the economies and industrial policies of the new Member States,
- ZB. calling for a business environment conducive to the creation and development of SMEs and entrepreneurial activity in general; stresses the need to continue efforts to improve access to finance, in particular risk capital, at early and intermediate stages, and to reduce, wherever appropriate, the regulatory burden for setting up and running a business;
- ZC. calling upon the EU and the EIB to further support the creation of innovative SMEs, to facilitate access to research programs and provide for platforms where young companies can draw on complementary know-how; requests that special support be given to female and young entrepreneurs,
- ZD. pointing out that in the next few years the availability of skilled labour will prove to be a critical factor for the long-term international competitiveness of European industry, and therefore training, further training and a sensible immigration policy will take on considerable significance.
1. Proposes to the Commission, to give practical expression to the ideas set out in the communication, that it draw up, by the beginning of 2004, together with all the European organisations representing companies, including small and micro-businesses, an action plan, to be submitted to the Council and Parliament for adoption, which could be based on the following measures and activities:
- (a) *incorporating the aims of industrial policy* into all policies, measures, and activities pursued by the Community,
 - (b) *pursuing sustainable development objectives*, through an even-handed balancing of economic, social and environmental aspects, and promoting the principle of better regulation at both Community and national levels,
 - (c) *taking into account the lower potential* and expertise of the new Member States to make efficient use of Community policies and instruments and the need to secure equal access and clear orientation in the process,
 - (d) *harmonising national taxation systems* that adversely affect the single market,
 - (e) *further simplifying administration* for all companies and simplifying the formalities required to allow EC-based companies to be set up, for example by introducing an EC single document for that purpose,

- (f) *strengthening the link between research and companies* and pursuing a vigorous policy to promote innovation, including for small and micro-businesses,
 - (g) *facilitating access to finance* for new businesses, as well as their development and the takeover of existing businesses, SMEs, start-ups, and spin-offs, and for companies in the traditional activities sector, for example by increasing intermediary credits and by developing venture capital, guarantee funds and mutual guarantee funds and by adapting EIB funding and EIF financial instruments,
 - (h) *encompassing the dialogue* between management and labour within the scope of implementation of industrial policy,
 - (i) *incorporating education, training, and skills* into industrial policy, for example by setting a specified percentage of the corporate wage bill to be allocated for lifelong learning;
2. Backs all steps taken by SMEs as well as large businesses to improve their productivity and competitiveness by improving the quality of work; suggests that information on such steps be circulated as examples of good practice;
 3. Underlines the fact that industry, although statistically it now carries less weight in the overall economy, remains the key economic sector because of its cross-border role in external trade and foreign investment, and its function to stimulate innovation and give a new impetus to suppliers, particularly in the dynamic area of industry-related services; therefore greater attention must be paid not only to essential safeguards for industrial headquarters functions in the EU but also to maintaining production activities by means of appropriate framework conditions; therefore emphasises that the effects of political decisions on industry and its key sectors must be analysed very carefully and policy formulated accordingly, and calls for an effective, forward-looking assessment of the impact of legislation on the competitiveness of European industry; evidence that this is urgently needed is provided by the following four legislative proposals currently awaiting political decisions: the directive on emissions trading, the legislative implementation of the White Paper on chemicals policy, the directive on transport costs and the directive on environmental liability;
 4. Believes that the Commission needs to study how the EU can mobilise competition policy to boost industrial competitiveness, for instance by reviewing the block exemptions concerning tax systems and regional or cross-border subsidies and encouraging companies to join forces, in particular in the research and technological sphere;
 5. Welcomes the Commission's intention to assess every new EU legislative proposal according to its impact on industrial competitiveness; believes, as regards such assessment, that the selection of the guiding criteria needs to be considered with particular attention so as to ensure that the assessment does not amount simply to bookkeeping analysis of the immediate costs to industry resulting from a legislative proposal;

6. Welcomes the Commission's willingness to think in sectoral terms and not just horizontal terms, but draws attention to the need to open up these analyses to small and micro-businesses, and calls for sector-based analyses to find practical expression in genuine sectoral action plans and for all players, not least management and labour, to be closely involved in drawing up, implementing, and monitoring those action plans;
7. Calls upon Member States to create a more small and medium enterprise-friendly tax system and use tax incentives to stimulate private investment, in particular in the fields of research, education, training and lifelong learning, while at the same time ensuring stable financing for social protection and creating more job opportunities;
8. Notes that, according to Commission communication COM(2003) 238, compliance costs related to company taxation are equivalent to between 2% and 4% of total corporation tax proceeds; calls on the Commission to review all Community instruments such as the directive on parent companies and subsidiaries and the Merger Directive or to consider whether it might lay down a common EU-wide corporation tax framework, providing for a share-out arrangement to reduce the compliance costs of tax operations;
9. Calls on the Commission to consider the proposal to introduce a single Community document, for the purposes of administrative simplification, to allow EU-based companies to be set up; believes that such an administrative document must be compatible with the Statute for a European Company;
10. Calls on the Commission to take further active steps to establish a genuine European research area in order to provide the Union with the necessary basis for scientific and technological progress, encourage private and public investment in research and industry, foster links between research centres and companies of all types, including those in traditional sectors of activity, and turn research findings to account;
11. Considers that an overall industrial strategy must encompass large-scale European projects involving both public and private partners, following the model of the Galileo project, in key sectors such as alternative energy sources – including fuel cells and hydrogen – nanotechnologies, health, space, steel, security, and defence; believes that technological platforms, enabling all stakeholders to be mobilised for the purpose of drawing up a technological and strategic road map, are a useful measure;
12. Points to the need for an adequate transport, energy, and telecommunications infrastructure network and considers that it would be desirable to launch a European public loan to finance the investment necessitated by enlargement for the regions which have less in the way of such facilities and to connect these regions with the outlying and less-favoured regions in the current Member States;
13. Points out that, under the European Charter for Small Enterprises, this industrial strategy should also include measures geared to small and micro-businesses and companies in traditional sectors of activity;
14. Calls on the Commission to seek, in partnership with all the organisations representing companies, to rationalise, simplify, and codify the national and Community legislative

architecture applying to the internal market in order to achieve greater effectiveness, taking into account Commission communication COM(2003) 238; and calls on the Member States to pay greater attention to improving and speeding up their transposing of Community directives concerning the internal market;

15. Calls for increased coordination between the Commission, the EU institutions and the Member States;
16. Hopes for a precise formulation of its mandate to enable the Competitiveness Council to play an active role in examining those Commission proposals which have a significant impact on the competitiveness of European industry;
17. Stresses the need for a normative framework in the European Union which takes account of the international context and of the financial impact that regulation has on companies;
18. Calls on the Competitiveness Council to play an active role in examining those Commission proposals which have a fundamental effect on the competitiveness of European industry;
19. Instructs its President to forward this resolution to the Commission, the Council, the parliaments of the Member States, and the European Union social partners.

EXPLANATORY STATEMENT

I. The importance of EU manufacturing industry on the eve of enlargement

The Lisbon European Council set the EU the goal of becoming '*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*'.

So how does industry fit into this plan? Although manufacturing industry is indeed constantly losing ground to the service sector in terms of GDP, employment and added value production, this trend is tempered by two factors.

Firstly, part of the economic activity classified under the services category merely reflects company outsourcing of services allied to manufacturing.

Secondly, manufacturing industry often plays the role of catalyst in the sense that, regardless of its statistical size relative to the national or European economy, when in a healthy and vibrant state it can serve to kick-start the economy as a whole, including the tertiary sector.

Conversely, enfeebled industrial competitiveness and stagnant industrial production can result in a general weakening of economic activity.

It follows, therefore, that the goal of economic growth, and vibrancy and modernisation set out at Lisbon must focus on the genuine backbone of the European economy – its industrial base. This is vitally important not only for employment, social and regional cohesion within the Union and for the trade balance, but also for ensuring that the Union retains and enhances its position as a leading player in the global economy at the leading edge of technological and scientific developments.

European industry finds itself confronted with a climate of profound change and the challenges that such change brings with it. In this connection, in the international arena the economic liberalisation process, already well under way in industrial production, is likely to be speeded up considerably at the WTO conference in Cancun, especially in view of the planned scrapping of the quota system for textiles and of lower industrial tariffs across the board.

Within Europe itself European industry is having to cope with sweeping changes, including the introduction of the euro and enlargement.

II. The new approach to industrial policy

For the most significant Commission initiatives in the field of industrial policy in recent years we have to go back to its communication entitled 'Industrial policy in an open and competitive environment - Guidelines for a Community approach'¹, its White Paper on

¹ COM(1990) 556.

‘Growth, competitiveness, employment - The challenges and ways forward into the 21st century’¹, and its communication entitled ‘An industrial competitiveness policy for the European Union’².

Hence the publication of its communication on ‘Industrial Policy in an Enlarged Europe’³ is a welcome move.

As far as the economic climate is concerned, the economic slowdown in Europe and across the world requires us to focus more closely on tackling the structural problems facing European industry.

Given the scale of enlargement and the striking difference between the industrial fabric of the EU of 15 Member States and that of the applicant countries, industrial policy must be addressed as a matter of urgency, so that the potential to be derived from expanding the European market to include millions of new consumers, workers and entrepreneurs can be realised to the full, whilst ensuring that the inevitable and necessary adjustments and restructuring are handled to the best possible effect.

This communication places competitiveness at the heart of all deliberations on industrial policy. However, the need remains to agree on what this notion of competitiveness actually means for European industry. The current and future comparative advantages of the European industry cannot be the same as those of the emerging economies, namely low labour costs and lax environmental and social regulations. On the contrary, European industry must focus on its own assets: highly skilled labour, technological capacity, research, the quality of industrial relations, and the use of ‘clean’ production processes.

We can see, therefore, that, far from working against one another, the three economic, social and environmental pillars of the sustainable development strategy for the Union as defined at Göteborg actually complement one another. The fact is that economic competitiveness will be bolstered by productivity-enhancing social factors such as education, lifelong learning, skills, dialogue between management and labour and new forms of labour organisation. Similarly, if sufficient attention is given to environmental considerations European industry will be able to maintain its technological advantage over its competitors in areas of the future such as the cleaning up of polluted sites, non-polluting production techniques and renewable energy sources.

Hence assessments of the impact of legislative initiatives must seek to amount to more than a mere bookkeeping analysis of the immediate costs to industry resulting from a legislative proposal by weighing up also the long-term impact on industrial competitiveness.

¹ COM(1993) 700 final.

² COM(1994) 319.

³ COM(2002) 714.

III. From analysis to action

The Commission is seeking to launch a debate on European industrial policy. In that vein, it has invited all parties concerned to provide their input. The Council gave its response at the Competitiveness Council meeting on 13 May 2003, as part of its deliberations on an integrated strategy to boost competitiveness.

For its part, the European Parliament has an opportunity here to make a useful contribution to the debate by seeking to take it beyond the analysis stage amply covered by the communication and give political impetus to a series of concrete measures and reforms to enhance Europe's industrial competitiveness.

Hence the proposal for an action plan designed to make industrial policy a genuine political priority for Europe, centred around several lines of action. Account must be taken both of European industry's most pressing needs and of the ways in which the Union can take action using the current and future distribution of powers within the EU (see the new constitutional treaty being prepared).

Education, training and skills

The importance to industrial competitiveness of the quality of human capital is already considerable and is likely to increase still further. For example, the lack of adequately skilled labour is the main obstacle to SME development¹. However, in spite of encouraging signs in the EU, such as a steady increase in the average length of training of its workforce (which nonetheless continues to lag behind that of Japan and the US), there has been a visible decline in the level of investment in education and training.

This worrying trend flies in the face of the Lisbon objectives. For employees finding themselves increasingly obliged to change jobs several times during their working careers, lifelong learning is of particular importance insofar as it gives them an opportunity to retrain in response to restructuring in one sector or another.

Any serious European industrial policy must therefore place education, training and skills at the heart of its strategy and focus in particular on lifelong learning.

Reducing tax obstacles

Although great strides have been made towards establishing an internal market for Europe, companies are still encountering difficulties in harnessing the internal market's potential to the full. For instance, the existence of fifteen different corporate taxation systems places a heavy cost burden on companies.

Moves towards greater tax harmonisation – such as a European initiative to introduce a common consolidated corporate tax base and thus drastically reduce compliance costs – would also provide a considerable boost to industrial competitiveness.

¹ SEC(2002)1340, 'Commission staff working document: Statistical elements in support of the Communication on Industrial Policy in an enlarged Europe', p. 28.

Mobilising competition policy

Although industrial policy and competition policy cover two areas which are plainly linked and which overlap, they are too often pursued in isolation. Hence the need to mobilise competition policy to further industrial competitiveness, for instance by encouraging companies to join forces in the research and technological sphere.

Research and innovation

Research has a key role to play in ensuring that European industry is competitive. In this respect it is crucial that the target of 3% of GDP to be earmarked for research is met. Therefore, efforts must be stepped up to bolster both public research – for instance by excluding, as investment, public spending on research from the Stability Pact calculations – and private research, through tax breaks and so forth. Another vital step will be to establish a genuine European research area in order to provide the EU with the necessary basis for scientific and technological progress. Lastly, research work must result in progress in terms of industrial innovation; to that end a Community patent must be introduced as a matter of urgency.

Key sectors

If it is to retain its status as a leading industrial player on the international stage the EU cannot afford to neglect key sectors with high development potential. Large-scale European projects involving both public and private partners must be undertaken in a certain number of sectors, following the model of the space industry and the Galileo project in particular. The technological platforms being established at present are a step in the right direction; however, care must be taken to address properly the issue of proper funding for them.

Infrastructure

An adequate transport, energy, and telecommunications infrastructure network is central to competitiveness. Given the current general economic slowdown and the enlargement of the EU to encompass regions which have less in the way of such facilities, a European initiative to increase significantly the resources available for the development of the trans-European networks would be extremely beneficial. To that end, moves towards a European public loan should not be overlooked.

Financing businesses

The issue of funding is crucial for businesses, especially SMEs. Gaining access to credit is particularly vital, in the context of the finalisation of Basel II. As regards innovative SMEs (start-ups, etc.), the development of venture capital is a matter that must be addressed.

Social dialogue

Dialogue between management and labour at European level – whether company-wide (European works councils), within a sector (sectoral social dialogue committees) or

interprofessional – must be a vital asset for European industrial policy. The new European industrial policy ought to be determined and implemented with the assistance of management and labour, whose expertise as the main stakeholders cannot be overstated. In this vein dialogue between management and labour serves as an important and decisive means of striking a constructive and promising balance between all the interests of those concerned. Dialogue between management and labour could, for instance, lead to innovative forms of labour organisation that are of benefit to employees' well-being and productivity alike. Likewise, in this context effective training strategies must be implemented.

Forward-looking management of industrial change

Europe's industrial policy should not be restricted to the development of new sectors with high development potential, but should extend also to the sound management of the more traditional sectors. Regular and thorough monitoring of the situation in the various sectors will make it possible to anticipate restructuring and thus, in good time, to establish programmes to reconvert industrial areas, bringing together all the parties concerned, with a view to fashioning a forward-looking concept of industrial policy in an enlarged Europe.

9 July 2003

OPINION OF THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

for the Committee on Industry, External Trade, Research and Energy

on the Commission Communication on Industrial Policy in an Enlarged Europe
(COM(2002) 714 – 2003/2063(INI))

Draftsman: Miquel Mayol i Raynal

PROCEDURE

The Committee on Economic and Monetary Affairs appointed Miquel Mayol i Raynal draftsman at its meeting of 17 February 2003.

It considered the draft opinion at its meetings of 20 May 2003, 11 June 2003, 17 June 2003 and 8 July 2003.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote Christa Randzio-Plath (chair), José Manuel García-Margallo y Marfil (vice-chairman), Philippe A.R. Herzog (vice-chairman), John Purvis (vice-chairman), Generoso Andria, Hans Blokland, Hans Udo Bullmann, Benedetto Della Vedova, Harald Ettl (for Peter William Skinner), Jonathan Evans, Bert Doorn (for Peter Pex), Göran Färm (for Mary Honeyball), Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Christopher Huhne, Othmar Karas, Giorgos Katiforis, Piia-Noora Kauppi, Christoph Werner Konrad, Ioannis Marinos, David W. Martin, Fernando Pérez Royo, Alexander Radwan, Bernhard Rapkay, Olle Schmidt, Bruno Trentin, Ieke van den Burg (for Pervenche Berès) and Theresa Villiers.

CONCLUSIONS

The Committee on Economic and Monetary Affairs calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Welcomes the fact that, after ten years, industrial policy is back on the EU agenda; sees this new type of industrial policy characterised by support for change as opposed to protection of industries which fail to meet consumer choices or public needs; states that enlargement will be a major source of opportunities for industry in the new and existing Member States alike; it should make a positive contribution to the overall EU industrial policy;
2. Underlines the fact that a lively industrial sector is a precondition for improved social and environment policy standards; calls on the Commission, as it seeks a balanced relationship between the three pillars, to take previous legislation into account as well; suggests that over-regulation is holding back the European economy and may lead to further below-average productivity growth;
3. Draws attention to the importance of taking account, in a balanced way, of the economic, social and ecological effects of new technologies in the context of sustainable development; emphasises that integrating the sustainable development requirement into production processes and product design can give Europe's industry a competitive advantage in future markets;
4. Insists on fully taking into account the social, environmental and regional aspects of the restructuring process and always involving the representatives of regional and/or national governments and the relevant social partners in working out specific programmes to reduce the painful consequences of restructuring;
5. Insists on fully taking account of regional aspects of the restructuring process and the implementation of measures in each region; calls for coordination and an interdependent relationship between EU regions in implementing EU industrial policy;
6. Gives support to the goal of 3% of GNP dedicated to R&D expenditure by public and private organisations; emphasises the important part played by enterprises in attaining this goal and strongly urges that the appropriate political framework be set up at European and national level to enable industry, and particularly SMEs, significantly to increase their R&D expenditure;
7. States that the success of both product and process innovation crucially depends on the ability of enterprises to bring in appropriate reforms of administrative structures and work organisation; notes that good managerial skills are required to identify and implement such strategies; calls upon industry to secure international excellence of its management;
8. Stresses that skill-improvement strategies need commitment from governments and enterprises alike; urges, in this context, to reverse the trend of decreasing public and

private spending in education, training and lifelong learning, and to increase incentives for individuals to keep their qualifications updated;

9. Calls for a business environment conducive to the creation and development of SMEs and entrepreneurial activity in general; stresses the need to continue efforts to improve access to finance, in particular risk capital, at early and intermediate stages, and to reduce, wherever appropriate, the regulatory burden for setting up and running a business;
10. Calls in this context upon Member States to create a more small and medium enterprise-friendly tax system and use tax incentives to stimulate private investment in particular in the fields of research, education, training and lifelong learning while at the same time ensuring stable financing for social protection and creating more job opportunities;
11. Calls upon the EU and the EIB to further support the creation of innovative SMEs, to facilitate access to research programs and provide for platforms where young companies can draw on complementary know-how; requests that special support be given to female and young entrepreneurs;
12. Underlines the fact that accession countries' industry has undergone significant restructuring and modernisation in the last decade; expects enlargement to make a positive contribution to industrial competitiveness; states, nevertheless, that sizeable differences still exist and further adjustments are to be envisaged; is convinced that strategies for economic development based on the competitive advantage of social dumping, particularly with regard to wages, will prove to be a hindrance for sound economic development already in the medium term;
13. Suggests industrial networks (e.g. on save spends, shared training resources, partnership between universities and industrial sectors) in the way to reach gamma economies and in order to enhance the exchange of good practices and results;
14. Underlines the fact that industry, although statistically it now carries less weight in the overall economy, remains the key economic sector because of its cross-border role in external trade and foreign investment, and its function to stimulate innovation and give a new impetus to suppliers, particularly in the dynamic area of industry-related services; therefore greater attention must be paid not only to essential safeguards for industrial headquarters functions in the EU but also to maintaining production activities by means of appropriate framework conditions; therefore emphasises that the effects of political decisions on industry and its key sectors must be analysed very carefully and policy formulated accordingly, and calls for an effective, forward-looking assessment of the impact of legislation on the competitiveness of European industry; evidence that this is urgently needed is provided by the following four legislative proposals currently awaiting political decisions: the directive on emissions trading, the legislative implementation of the White Paper on chemicals policy, the directive on transport costs and the directive on environmental liability;
15. Underlines the fact that the EU's Lisbon agenda provides an excellent framework for implementing the requirements of a horizontal policy on industry that looks to the future nationally and at EU level, and that any delay in implementing the Lisbon agenda will

therefore be at the expense of industry and the dynamism and talent for innovation that spring from it;

16. Points out that in the next few years the availability of skilled labour will prove to be a critical factor for the long-term international competitiveness of European industry, and therefore training, further training and a sensible immigration policy will take on considerable significance.

19 June 2003

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Industry, External Trade, Research and Energy

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 – 2003/2063(INI))

Draftsman: Marie-Hélène Gillig

PROCEDURE

The Committee on Employment and Social Affairs appointed Marie-Hélène Gillig draftsman at its meeting of 12 February 2003.

It considered the draft opinion at its meetings of 21 and 28 May and 11 June 2003.

At the last meeting it adopted the following conclusions by 18 votes to 4, with 10 abstentions.

The following were present for the vote Theodorus J.J. Bouwman (chairman), Winfried Menrad (vice-chairman), Marie-Thérèse Hermange (vice-chairman), Marie-Hélène Gillig (draftsman), Jan Andersson, Elspeth Attwooll, Regina Bastos, Hans Udo Bullmann (for Enrico Boselli), Alejandro Cercas, Brian Crowley (for Nello Musumeci), Harald Ettl, Ilda Figueiredo, Fiorella Ghilardotti (for Elisa Maria Damião), Anne-Karin Glase, Robert Goebbels (for Proinsias De Rossa), Lisbeth Grönfeldt Bergman (for Philip Bushill-Matthews), Stephen Hughes, Rodi Kratsa-Tsagaropoulou, Jean Lambert, Elizabeth Lynne, Thomas Mann, Mario Mantovani, Claude Moraes, Ria G.H.C. Oomen-Ruijten (for Luigi Cocilovo), Manuel Pérez Álvarez, Bartho Pronk, Lennart Sacrédeus, Herman Schmid, Miet Smet, Claude Turmes (for Jillian Evans), Ieke van den Burg and Sabine Zissener (for Carlo Fatuzzo).

CONCLUSIONS

The Committee on Employment and Social Affairs calls on the Committee on Industry, External Trade, Research and Energy, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Welcomes the Commission communication which envisages a new industrial policy in line with the Lisbon strategy; regrets, however, the fact that the necessary balance between competitiveness, economic growth, quantitative and qualitative enhancement of employment and social cohesion, including the possibility of reconciling working and family life, has not been sufficiently stressed;
2. Calls upon the EU to fully take account of social, environmental and regional aspects of the restructuring process and to fully involve the relevant political and social representatives in working out specific programmes to counterbalance the painful consequences of restructuring;
3. Notes as a positive feature that the improvement of industrial competitiveness is founded on knowledge, innovation and the entrepreneurial spirit; highlights the challenge of ensuring that competitiveness does not come at the expense of social factors such as education and life-long training, labour skills, work quality and better use of innovative forms of work organisation - all of which can be productive factors and do not have to be just considered as burdens on business;
4. Believes that a genuine industrial policy must be based on an economic policy in favour of industry and business as well as continuous social dialogue – information, consultation and involvement of employees – at times of structural adjustment as well as throughout the life of companies; stresses the importance of ensuring that all legislation relating to industrial policy is subject to thorough impact assessments in all the Member States, including the enlargement countries, to ensure that it does not entail additional burdens on industry and competitiveness;
5. Takes the view that social dialogue comprises modern management which must fully integrate the new forms of entrepreneurial governance;
6. Supports the Commission's commitment to research and development and its determination to strengthen cooperation with companies in the industrial sector; invites the Commission to involve a wide range of partners – universities, local government, chambers of commerce and industry - in order to achieve optimum results both in terms of the maintenance and quality of employment and of the quest for full employment; hopes that the potential of information and communication technologies in terms of job creation will not be overestimated; furthermore, calls for link-ups to be encouraged between information and communication technologies and traditional industries particularly prone to acute sectoral crises; stresses the importance of developing a strong SME sector in an enlarged EU in order to boost employment potential through the acquisition of the necessary skills, particularly in regions in difficulty;
7. Favours the idea of resorting to the Open Coordination Method in order to facilitate implementation of a resolute industrial policy aimed at:

- creating through a better business climate strong companies exposed to competition in the European area whereby a structured industrial sector capable of providing all categories of employment can be maintained and developed;
 - providing the link with regional policies with a view to better management of company relocations, the establishment of new companies and site transfers;
 - enhancing consistency with employment policy particularly through the use of structural funds earmarked for this purpose;
8. Asks the Commission to evaluate the contribution provided by the ECSC Treaty in terms of managing industrial change and to propose similar solutions for other industrial sectors; suggests that the European Monitoring Centre on Change (Dublin Foundation) is one of the essential tools for tracking industrial change;
9. Notes that the Lisbon strategy calls for EU economies to be not just competitive but dynamic; recognises the needs and wishes of workers as well as companies for flexibility as well as flair in order to secure this; calls for the promotion of such flexibility to be promoted with greater vigour.