

EUROPEAN PARLIAMENT

2004



2009

Session document

A6-0167/2008

24.4.2008

REPORT

on Mid-term review of industrial policy - A contribution to the EU's Growth and Jobs strategy
(2007/2257(INI))

Committee on Industry, Research and Energy

Rapporteur: Romana Jordan Cizelj

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on Mid-term review of industrial policy - A contribution to the EU's Growth and Jobs strategy (2007/2257(INI))

The European Parliament,

- having regard to the communication from the Commission entitled 'Mid-term review of industrial policy - A contribution to the EU's Growth and Jobs Strategy' (COM(2007)0374) and the accompanying staff working document (SEC(2007)0917),
 - having regard to the conclusions of the Competitiveness Council of 22 and 23 November 2007,
 - having regard to the communication from the Commission entitled 'Small and medium-sized enterprises - Key for delivering more growth and jobs - A mid-term review of Modern SME policy' (COM(2007)0592),
 - having regard to the communication from the Commission entitled 'A lead market initiative for Europe' (COM(2007)0860),
 - having regard to its resolution of 5 July 2006 on a policy framework to strengthen EU manufacturing - towards a more integrated approach for industrial policy¹,
 - having regard to its resolution of 30 November 2006 on time to move up a gear – creating a Europe of entrepreneurship and growth²,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinion of the Committee on the Internal Market and Consumer Protection (A6-0167/2008),
- A. whereas the Commission's mid-term review of industrial policy takes stock of the progress achieved in implementing the integrated approach to industrial policy as at 2005 and sets out the measures to be taken in the coming years,
- B. whereas industry in the EU contributes to more than 80% of private sector R&D expenditure and the innovative products it produces account for 73% of EU exports, thus playing an important role in the transformation of the EU into a knowledge-based economy,
- C. whereas, in comparison with other regions, such as the US or Asia, in the EU industry is still relatively slow to adapt to changing market realities and new technological developments because of heavy market regulation,

¹ OJ C 303 E, 13.12.2006, p.646.

² OJ C 316 E, 22.12.2006, p.378.

- D. whereas trends such as globalisation, technological change and sustainable development offer important, as yet unexploited opportunities for the industrial sector in the EU,
1. Welcomes the Commission's communication reviewing the progress made in implementing an integrated industrial policy and stresses that a prosperous industrial sector is essential for the achievement of the Lisbon goals;
 2. Notes the progress achieved with both horizontal and sector-specific actions and welcomes the new sectoral initiatives on food processing and electrical engineering;
 3. Regrets the weakness of the link between EU and national industrial policy and supports the Commission's and Member States' initiatives to strengthen this link;
 4. Believes that the main role of EU industrial policy is to put in place the right framework conditions for enterprise development, industrial investment, innovation and job creation, paying particular attention to the needs of small and medium-sized enterprises (SMEs);
 5. Believes that an open and competitive internal market in services and industry contributes to the sector's potential for innovation and increases its competitiveness; takes the view that competition policy plays a crucial role in ensuring that consumers benefit from an open European market;
 6. Underlines the importance of an efficient public procurement regime for the competitiveness of European industry; believes that pre-commercial public procurement is an important tool for boosting the innovativeness of European undertakings; encourages Member States to review their public procurement policies in this light and asks the Commission to promote the sharing of best practice in this area;
 7. Welcomes the Commission's proposals on consolidating the European market in defence equipment and improving the global competitiveness of the EU defence industry;
 8. Encourages the Commission to intensify its market monitoring of the supply chain of industrial and consumer goods, including downstream distributors and retailers, so as to ensure that competitive conditions exist at all stages of the supply chain;
 9. Calls on the Commission to step up its efforts to eliminate unnecessary administrative barriers that make access to the internal market difficult, to simplify and to improve the regulatory environment and to reduce the administrative burden on enterprises, inter alia by ensuring that progress is made on the 13 priority areas set out in the Commission's action plan to reduce the administrative burden and by implementing the second package of 'fast track' measures for removing administrative barriers;
 10. Urges the Member States to make progress towards setting and reaching ambitious national targets for the reduction of the administrative burden, in particular those that encourage the growth and development of SMEs, such as simplified reporting requirements and exemptions;
 11. Encourages the Commission to use a coherent approach to SMEs in all EU policies by properly applying the 'think small first' principle;

12. Strongly supports the forthcoming initiative for a 'Small Business Act' at European level; believes that it should take the form of a legislative proposal and include new, concrete initiatives to reduce, through exemptions, the regulatory burden on SMEs, to facilitate their access to the internal market and to public procurement procedures and to ensure that they have adequate access to sources of finance and to research infrastructure;
13. Emphasises the importance of the Basel II Agreement¹ in influencing bank behaviour and the willingness of banks to lend to relatively high-risk customers, including SMEs; regards this development as instrumental in supporting SMEs in investing in and carrying out business oriented research;
14. Welcomes the partnership groupings established by the Commission, such as CARS 21 and the High Level Group on Textiles; believes that these groupings are important fora for strengthening EU industrial policy;
15. Stresses the urgency of establishing an EU-wide market for venture capital by removing existing regulatory and tax obstacles to venture capital investments in Europe's most innovative small firms;
16. Recalls the importance of modern standardisation systems, and encourages the Commission to speed up the implementation of 'new approach' standards, while respecting the needs of SMEs and strengthening the participation of SME representatives;
17. Is of the opinion that the EU's environmental goals should not be seen as a threat to industry, but as an opportunity to gain a first mover advantage and make industry in the EU a world leader in environmentally friendly and socially acceptable technologies, products and services; stresses, however, that the application of new technologies should be accompanied by measures to safeguard the international competitiveness of European enterprises;
18. Considers that industrial development is closely linked to the existence of an efficient transport infrastructure at European level, that a properly performing transport infrastructure enables the development of industrial zones, including those outside cities, and that Member States should be able to use regional development funds in order to create industrial and technological parks in rural areas adjoining conurbations;
19. Considers that the Commission's proposed action plan on sustainable industrial policy should put in place a framework for a gradual transition towards a low carbon and energy and resource-efficient industry that will contribute to achieving the objectives in the fields of energy and climate change formulated by the European Council of 8 and 9 March 2007; believes that the 'lead market' initiative and the Standards Action Programme could play an important role in this;
20. Especially stresses the need for sustainable and balanced development across the EU, both geographically and with regard to the scale of projects; believes that a truly balanced approach is the only way to stimulate the development of industry in the EU, provide new

¹ International Convergence of Capital Measurement and Capital Standards: A Revised Framework, Basel Committee on Banking Supervision, June 2004.

opportunities for job creation and promote successful regions within EU; believes that the 'clusters initiative' can constitute a powerful lever for innovation and sustainable regional development;

21. Welcomes the significant contribution of cohesion policy to ensuring competition in the industrial sector, and encourages Member States to further focus their investments within the European Regional Development Fund and the European Social Fund on fields which promote the growth of human capital, research, innovation, entrepreneurship and on assistance for SMEs;
22. Points out that the impact of environmental legislation on the international competitiveness of energy intensive EU industries should be taken into consideration urgently in order to avoid carbon leakage and unemployment; in this connection urges the Commission to actively promote and support the setting up of global sectoral agreements that can reduce the environmental impact of specific industries worldwide while ensuring a level playing field;
23. Supports the Commission in its move to subject all new legislative proposals to an intensive and rigorous impact assessment, examining, in particular, whether each proposal has any unfavourable implications for the functioning of the internal market or the competitiveness of European industry according to the sustainability principle;
24. Draws attention to the current developments with regard to access to raw materials; points out that the EU is completely dependent on imports of several metals; calls on the Commission to propose an integrated approach to securing sustainable access to raw materials, improving resource efficiency and supporting the development of exploration technologies; calls on the Commission and the Member States to support and accelerate the realisation of the projects announced by the European Council as being of Community interest for energy safety and the diversification of the EU's energy sources;
25. Recalls the important structural change brought about by the shift in employment towards industry-related services; therefore, supports the planned industry and services initiative that will analyse the service sectors and their impact on industrial competitiveness; draws the Commission's attention, in particular, to the improvement of the quality, productivity and value of services provided to industry, in particular knowledge-intensive business services;
26. Welcomes the Commission's initiative on structural change which will facilitate the exchange of best practice among Member States; strongly encourages the Commission, in its review of its 2005 Communication entitled 'Restructuring and employment – Anticipating and accompanying restructuring in order to develop employment: the role of the European Union' (COM(2005)0120), to support the setting up of large partnerships at EU level as well as networks for the exchange of information and best practice among experts in Member States;
27. Draws attention to the need for ongoing priority investment in education, training and research, and also to the dependence of industrial development and the competitiveness of EU products on the quality of human resources and global innovation in new products;

28. Emphasises the fact that innovative products significantly strengthen the EU's competitive advantage, representing 73% of EU exports; notes, however, that the EU still lags behind the United States and Japan in innovation, especially in business R&D; believes, therefore, that Community funding programmes, such as the Seventh Framework Programme for research, technological development and demonstration activities and the Competitiveness and Innovation Framework Programme, and the European Institute for Innovation and Technology, should be exploited to their fullest; in this respect, welcomes the 'lead market' initiative and the Standards Action Programme as contributions to unlocking market potential for innovative products and services in specific areas of high value to society; urges the Commission to demonstrate its commitment to better regulation in this regard and cautions against favouring specific technological solutions over others;
29. Considers that, in order to boost innovation throughout the EU, it is essential to support invention-related activities and protect the products of those activities; points, therefore, to the importance of a transparent, simplified intellectual property rights policy, and one that is actually enforced; calls on the Council to take action to introduce a Community patent as soon as possible and calls on the Commission to continue to combat counterfeiting and to work towards global solutions in this area, based predominantly on European models;
30. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

A strong and healthy industrial base is essential to fully exploit EU's economic potential and reach the Lisbon goals. Furthermore, with EU's industry contributing to more than 80% of private sector R&D expenditure and with its innovative products providing around 75% of EU's exports, industry is playing a central role in transforming our economy towards a knowledge based economy.

In general, EU's industry is healthy and dynamic. However, it faces important challenges such as rapid technological change, intense and growing competitive pressure, and the need to contribute to Europe's environmental goals.

Therefore, in 2005 a policy framework was put in place with concrete recommendations for sectoral actions to promote growth, productivity and competitiveness. Seven major cross-sectoral policy initiatives have been launched (Intellectual Property Rights and Counterfeiting Initiative, 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, Integrated European approach to Industrial Research and Innovation). In addition, seven sector-specific initiatives have been set up (Pharmaceuticals Forum, Mid-Term Review of Life Sciences and Biotechnology Strategy, High-Level Group on the Chemicals Industry, High-Level Group on the Defence Industry, European Space Programme, Taskforce on ICT Competitiveness, Mechanical Engineering Policy Dialogue).

This Communication takes stock of the progress achieved on both the horizontal and the sector-specific actions set out in 2005. According to this mid-term review, there is no need for a fundamental change of the policy. However, the Commission does envisage to strengthen some of the ongoing projects and to launch some new initiatives in response to recent challenges. The following new horizontal actions are announced in the Communication:

- Clusters initiative
- Lead market initiative
- Standards Action Programme
- Action Plan for Sustainable industrial policy
- Industry and services

In addition, two new sectoral initiatives will be undertaken:

- Food industry
- Electra (electrical engineering)

This Communication can be welcomed. The main role of industrial policy at EU level is to put in place the right framework conditions for enterprise development, industrial investment, innovation and job creation. These framework conditions could however vary from sector to sector. Therefore, sectoral initiatives, taking account of the specific context of individual sectors and proposing a tailor-made combination of policies to suit the particular opportunities and challenges they face, are warmly welcomed. Those sectoral initiatives should be strengthened by a horizontal approach, that tackles the barriers EU's industry is facing in its development towards higher-value and higher quality products. Your Rapporteur would like

to focus on 3 of these horizontal issues:

"Better regulation":

A burdensome regulatory environment and an excess of red tape, remains one of the bigger barriers for industry. This is foremost the case for small and medium-sized enterprises (SMEs), since they are the first to suffer from excessive bureaucracy (it has been estimated that per employee a small business on average spends around 10 times as much on regulatory duties than a big company). Therefore the "Better Regulation"-agenda is of the utmost importance to raise the competitiveness of European industry. The Commission should step up its efforts to eliminate unnecessary (administrative) barriers to access the internal market, to simplify and to improve the regulatory environment and to reduce the administrative burden on enterprises (i.a. by ensuring that progress is made in the 13 priority areas set out in the Commission's Action Plan in order to achieve the 25% goal by 2012 and by implementing the second package of the 'fast track' measures for removing administrative barriers). But the "Better regulation"-agenda cannot be done only on European level. In order to ensure tangible economic benefits for EU businesses, also Member States should make progress towards setting and reaching their own ambitious national targets in the reduction of administrative burdens, in particular those that encourage SME growth and development (i.a. simplified reporting requirements and exemptions).

Small and medium-sized enterprises:

SMEs are one of the main engines of economic growth and competitiveness in Europe, given their innovative potential and their dynamism and flexibility. Support of SME growth is therefore important. That support can be given by ensuring access to sources of finance (venture capital) and to research infrastructure (cluster policy). Also, support could be given by being coherent in the SME approach across the different EU policies (i.a. properly applying the so-called "Think Small First" principle in policy-making). For SMEs access to markets can be more difficult than for big companies. Therefore, initiatives such as standardisation, protection of intellectual property rights and the availability of easily accessible information are especially important for them. A very important initiative to help SMEs is the announced Small Business Act. This Act should include new, concrete initiatives to reduce the regulatory burden on SMEs, to facilitate their access to the Single Market and to public procurement, and to help SMEs face the challenge of globalization and climate change, for example by providing them with the necessary financial and human resources for their development and change. As far as SME growth support is concerned, it is important to take stock of the success already achieved by some Member States, for example by creating a dedicated national mechanism for cooperation in the implementation, monitoring and evaluation of policies to support SMEs. In this respect, the initiative of the Slovenian Presidency to organize a Conference in spring 2008, which aims at transforming national "best practices" into European level is highly welcomed.

Sustainable development:

EU's industrial competitiveness is motivated by a gradual transition towards a low-carbon and energy- and resource-efficient economy. The environmental goals, with respect to the reduction of greenhouse gases and the increase of energy efficiency, should not be seen as a threat to industry. The first mover advantage could make Europe's industry a world leader in environmentally friendly and socially acceptable technologies, products and services. This golden opportunity should be grasped, both by EU's industrial companies, as by the policy

makers. The announced Action Plan on Sustainable industrial policy should therefore put in place a framework to speed up eco-innovation and the development of new markets (which is already to some extent the case with the Lead market initiative). For the short term, the impact on the international competitiveness of the energy intensive EU industries should be taken into consideration in order to avoid the EU "exporting pollution and importing unemployment". This could be done by promoting Global Sectoral Agreements, in order to reduce the environmental impact of specific industries worldwide and at the same time ensuring a level playing field. Furthermore, sustainable development should bear in mind a balanced development across the EU, which means that not only big industries and projects should be supported, but also small scaled ones.

Finally, the connection with the Lisbon strategy is a vital one. Industrial policy is and should remain for an important part a national competence. However, for the policies to be effective, the link should be strengthened between industrial policy actions at national and at European level. Therefore, more emphasis should be put on industrial policy, SMEs and entrepreneurship in the next Lisbon cycle 2008-2010.

8.4.2008

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Industry, Research and Energy

on the mid-term review of industrial policy: a contribution to the EU's growth and jobs strategy
(2007/2257(INI))

Draftsman: Jacques Toubon

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Welcomes the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the mid-term review of industrial policy (COM(2007)0374), and stresses that a prosperous industrial sector is essential for the achievement of the Lisbon goals;
2. Recognises that the sector faces a challenging future due to globalisation, technological development and the environment;
3. Believes that an open and competitive internal market in services and industry contributes to the sector's potential for innovation and increases its competitiveness; takes the view that competition policy is crucial in ensuring that consumers benefit from an open European market;
4. Regrets the weakness of the link between EU and national industrial policy and calls on the Commission and the Member States to work to strengthen this link;
5. Underlines the importance of an efficient public procurement regime for the competitiveness of European industry; believes that pre-commercial public procurement

is an important tool for boosting the innovativeness of European undertakings; encourages Member States to review their public procurement policies in this light and asks the Commission to promote the sharing of best practice in this area;

6. Welcomes the Commission's lead market initiative and supports its objective of fostering favourable conditions for the emergence of markets in innovative products and services in specific areas of high value to society; urges the Commission to demonstrate its commitment to better regulation in this regard and cautions against favouring specific technological solutions over others;
7. Welcomes the Commission's proposals on consolidating the European market in defence equipment and improving the global competitiveness of the EU defence industry;
8. Recalls the importance of the initiative to establish the Small Business Act at European level, in particular as an opportunity to reduce through exemptions the burden of regulation faced by SMEs; calls on the Commission to take systematic account of SMEs in connection with all its initiatives in the industrial sector, given their decisive role in terms of development and employment;
9. Emphasises the importance of preserving the strength of European industry by means of the framework of competition policy and open markets, and would like to see the adjustment of the European regulatory framework and the international rules and standards which apply to trade to be taken into account so that conditions of fair competition can be promoted at international level;
10. Welcomes the partnership groupings established by the Commission, such as CARS 21 and the High Level Group on Textiles; believes that these groupings are important fora for strengthening EU industrial policy;
11. Recalls that an ambitious policy regarding intellectual property rights is a key element in the competitiveness of industrial undertakings and particularly SMEs, and that therefore the reaching of an agreement on the Community patent and an EU-wide patent litigation system is crucial, as is increasing the efforts of customs services in fighting counterfeiting;
12. Supports the Commission's on-going programme to simplify and improve the regulatory environment and reduce administrative burdens;
13. Recalls the importance of modern standardisation systems, and encourages the Commission to speed up the implementation of new approach standards, while respecting the needs of SMEs and strengthening the participation of SME representatives;
14. Encourages the Commission to put forward a proposal for a directive on establishing a common consolidated company tax base between those Member States which would welcome such an initiative;
15. Is gravely concerned about the long-term future of the pharmaceutical sector, and particularly the weakness of European research and development and the lack of an effectively functioning single market in this sector; calls on the Commission and the

Member States to address this issue urgently;

16. Calls for a sustainable industrial policy to be worked out, particularly as regards stimulating ecological innovation, which takes account of climate change affecting the planet; encourages undertakings to seize the opportunities offered by markets in new technologies, and to concentrate their efforts on reducing carbon emissions and local pollution on the one hand, and on improving energy efficiency, accompanied by measures to promote renewable sources of energy and ensure the safe and sustainable use of natural resources, on the other;
17. Stresses the urgency of establishing an EU-wide market for venture capital by removing existing regulatory and tax obstacles to venture capital investments in Europe's most innovative small firms;
18. Encourages the Commission to intensify its market monitoring of the supply chain of industrial and consumer goods, including downstream distributors and retailers, so as to ensure that competitive conditions exist at all stages of the supply chain;
19. Welcomes the significant contribution of cohesion policy to ensuring competition in the industrial sector, and encourages Member States to further focus their investments within the European Fund for Reconstruction and Development and the European Social Fund in fields which promote the growth of human capital, research, innovation, entrepreneurship and assistance for small and medium-sized enterprises;
20. Supports the Commission in its move to subject all new legislative proposals to an intensive and rigorous impact assessment, examining in particular whether the proposal has unfavourable implications for the functioning of the internal market or the competitiveness of European industry; calls on the Commission, particularly with regard to legislative proposals relating to the protection of consumers, the climate and the environment, to take account of competitiveness as a core objective of the Lisbon Strategy.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	8.4.2008
Result of final vote	+: 38 -: 1 0: 0
Members present for the final vote	Cristian Silviu Buşoi, Charlotte Cederschiöld, Gabriela Creţu, Mia De Vits, Janelly Fourtou, Vicente Miguel Garcés Ramón, Evelyne Gebhardt, Małgorzata Handzlik, Malcolm Harbour, Anna Hedh, Iliana Malinova Iotova, Pierre Jonckheer, Alexander Lambsdorff, Kurt Lechner, Lasse Lehtinen, Toine Manders, Arlene McCarthy, Nickolay Mladenov, Catherine Neris, Bill Newton Dunn, Zita Pleštinská, Zuzana Roithová, Heide Rühle, Leopold Józef Rutowicz, Christel Schaldemose, Andreas Schwab, Marianne Thyssen, Jacques Toubon, Bernadette Vergnaud, Barbara Weiler, Marian Złotea
Substitute(s) present for the final vote	Emmanouil Angelakas, Colm Burke, Giovanna Corda, Bert Doorn, Brigitte Fouré, Olle Schmidt, Gary Titley
Substitute(s) under Rule 178(2) present for the final vote	Janusz Wojciechowski

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	21.4.2008
Result of final vote	+: 36 -: 0 0: 0
Members present for the final vote	Šarūnas Birutis, Jan Březina, Philippe Busquin, Jorgo Chatzimarkakis, Giles Chichester, Pilar del Castillo Vera, Den Dover, Norbert Glante, András Gyürk, Fiona Hall, David Hammerstein, Mary Honeyball, Romana Jordan Cizelj, Werner Langen, Anne Laperrouze, Angelika Niebler, Reino Paasilinna, Atanas Papanizov, Francisca Pleguezuelos Aguilar, Anni Podimata, Vladimír Remek, Teresa Riera Madurell, Andres Tarand, Catherine Trautmann, Claude Turmes, Nikolaos Vakalis
Substitute(s) present for the final vote	Jean-Pierre Audy, Göran Färm, Robert Goebbels, Eija-Riitta Korhola, Pierre Pribetich, Vittorio Prodi, Esko Seppänen, Silvia-Adriana Țicău, Vladimir Urutchev, Lambert van Nistelrooij