

# **Towards a New Industrial Policy for Europe**

**EPC Task Force  
2013-2014**

***Presentation by Claire Dhéret, EPC Senior Policy Analyst***

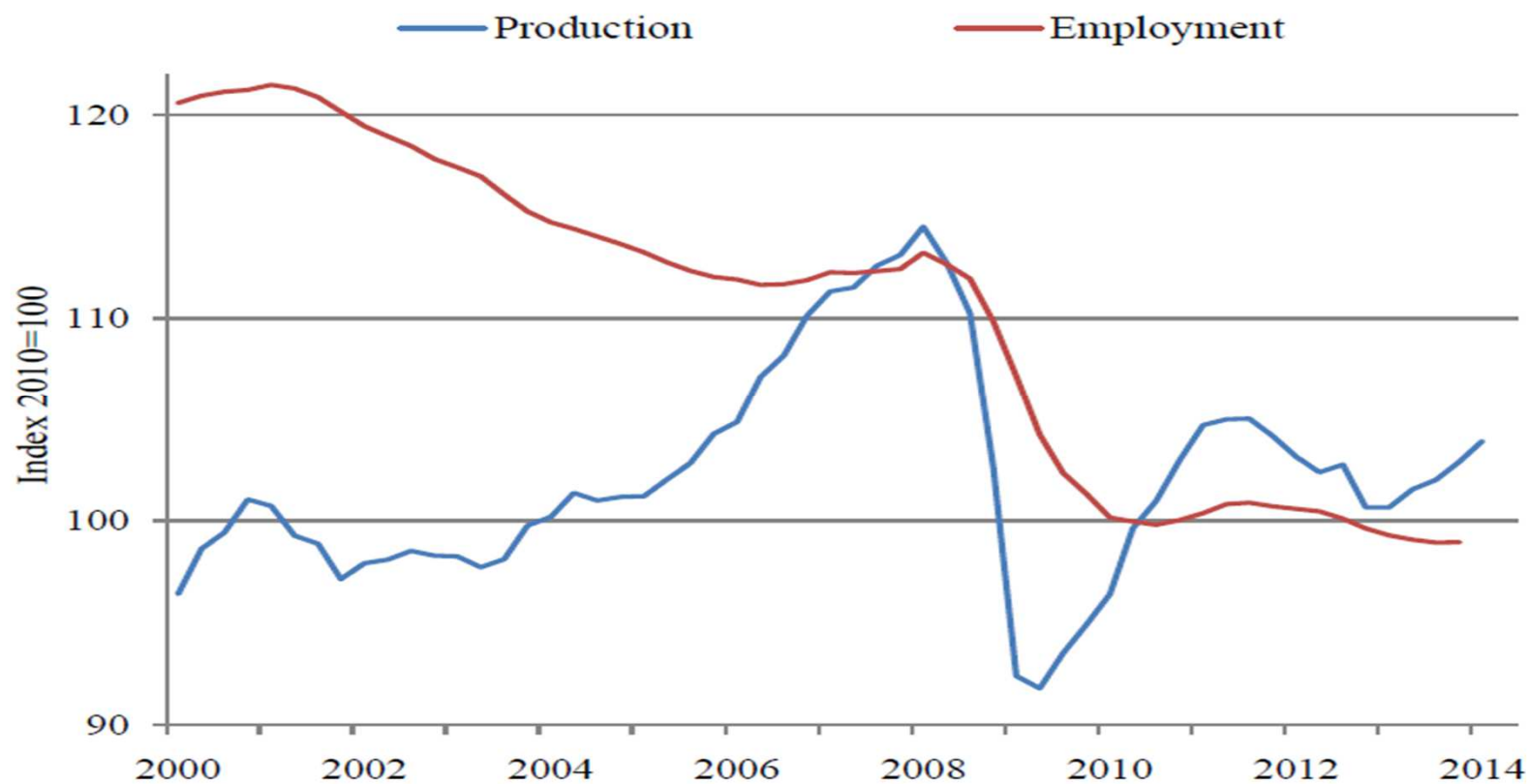
Joint conference  
European Policy Centre & Centro studi sul Federalismo  
Turin, 8 May 2015

# **European manufacturing in a global context**

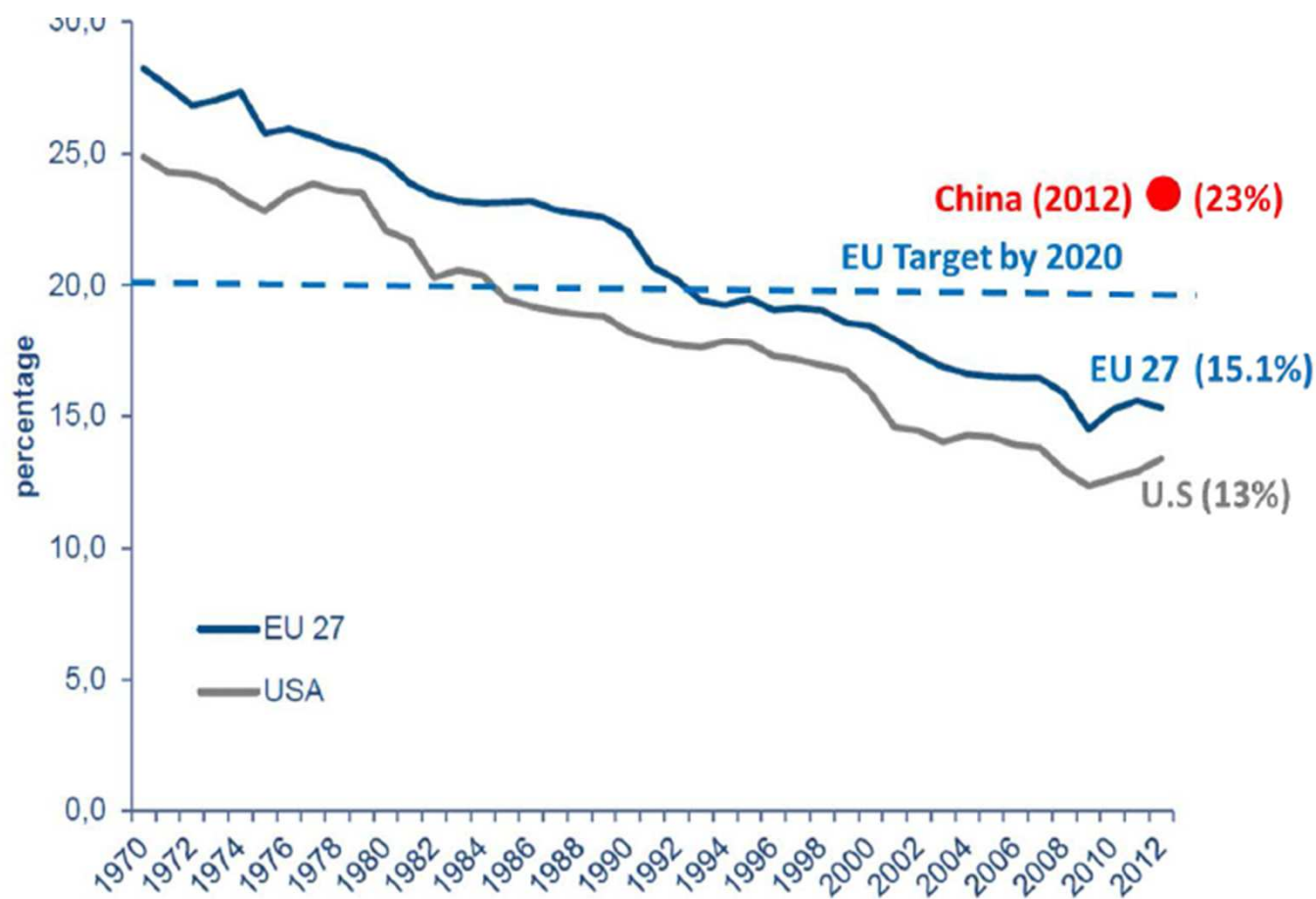
**Gloomy prospects for manufacturing in Europe  
due to:**

- ❖ **Steady decline of manufacturing over the last decades (accelerated by the crisis)**
- ❖ **Increased global competition**
- ❖ **Some internal difficulties**

❖ **Steady decline of manufacturing over the last decades**

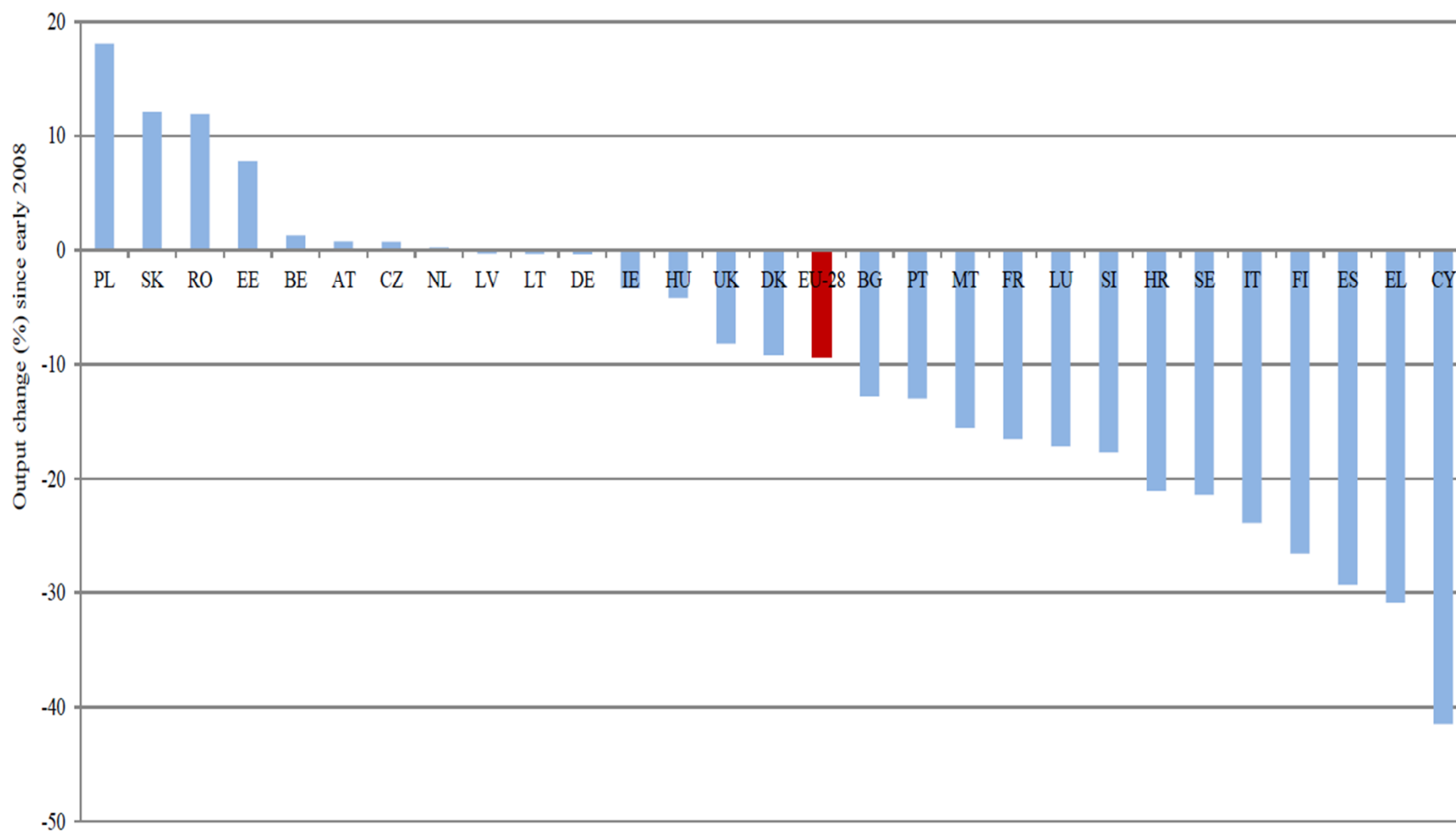


## Manufacturing share in GDP, EU, US, China



Source: AMECO (2013), OECD (2013),

## Uneven manufacturing recovery by Member State



## ❖ Increased global competition

- Ambitious manufacturing strategies put in place by main industrial nations, including the US and Asian countries;
- Global value chain increasingly fragmented and EU manufacturing industry tempted to move where production costs are lower, innovation investment is high and where local demand is located (mainly in Asian countries);
- Increased role of emerging economies in high-value added segments of manufacturing production (previously considered the preserve of developed economies).

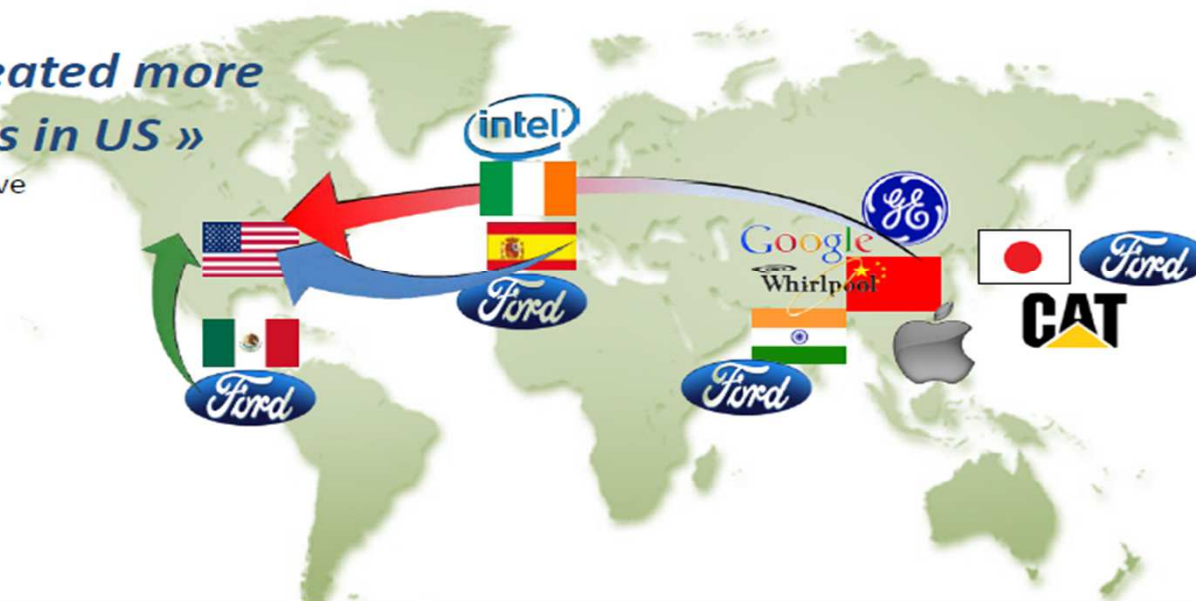


State of the Union  
Speech of February  
2013

*“After shedding jobs for more than 10 years, **our manufacturers have added about 500,000 jobs over the past three.** **Caterpillar** is bringing jobs back from Japan. **Ford** is bringing jobs back from Mexico. After locating plants in other countries like China, **Intel** is opening its most advanced plant right here at home. And this year, **Apple** will start making Macs in America again”.*

**« Reshoring created more than 50000 jobs in US »**

Source: Reshoring Initiative



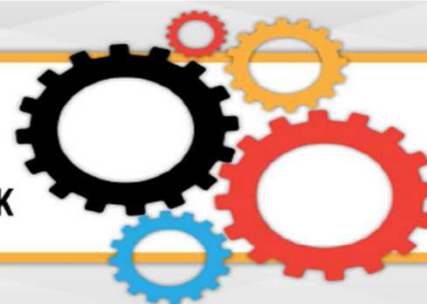


## RESHORING LIKELY TO RADICALLY RESHAPE U.S. ECONOMY IN NEXT YEARS



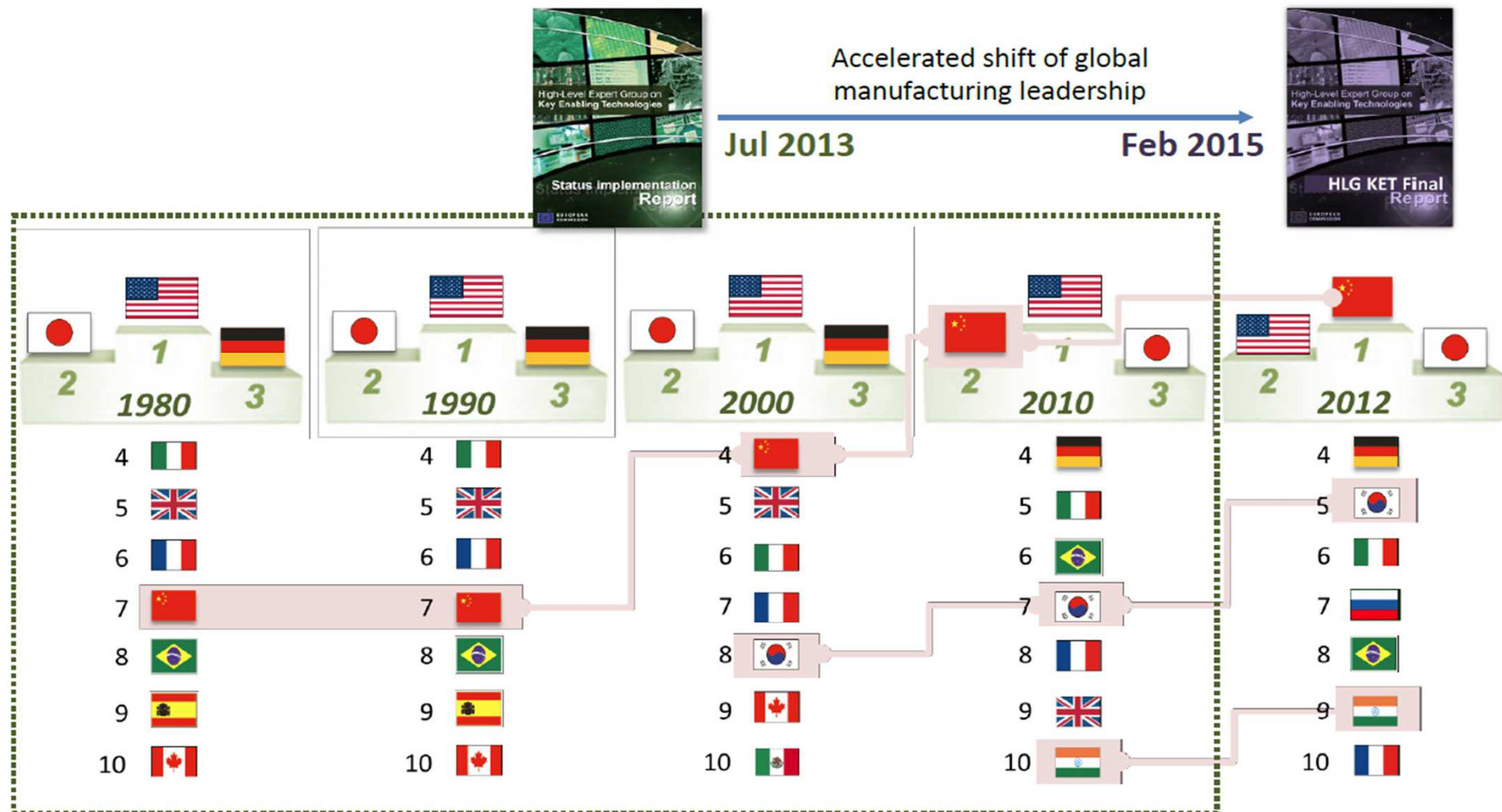
State of the Union  
Speech of February  
2013

**‘MADE IN THE USA’**  
RESHORING BRINGS MANUFACTURING BACK





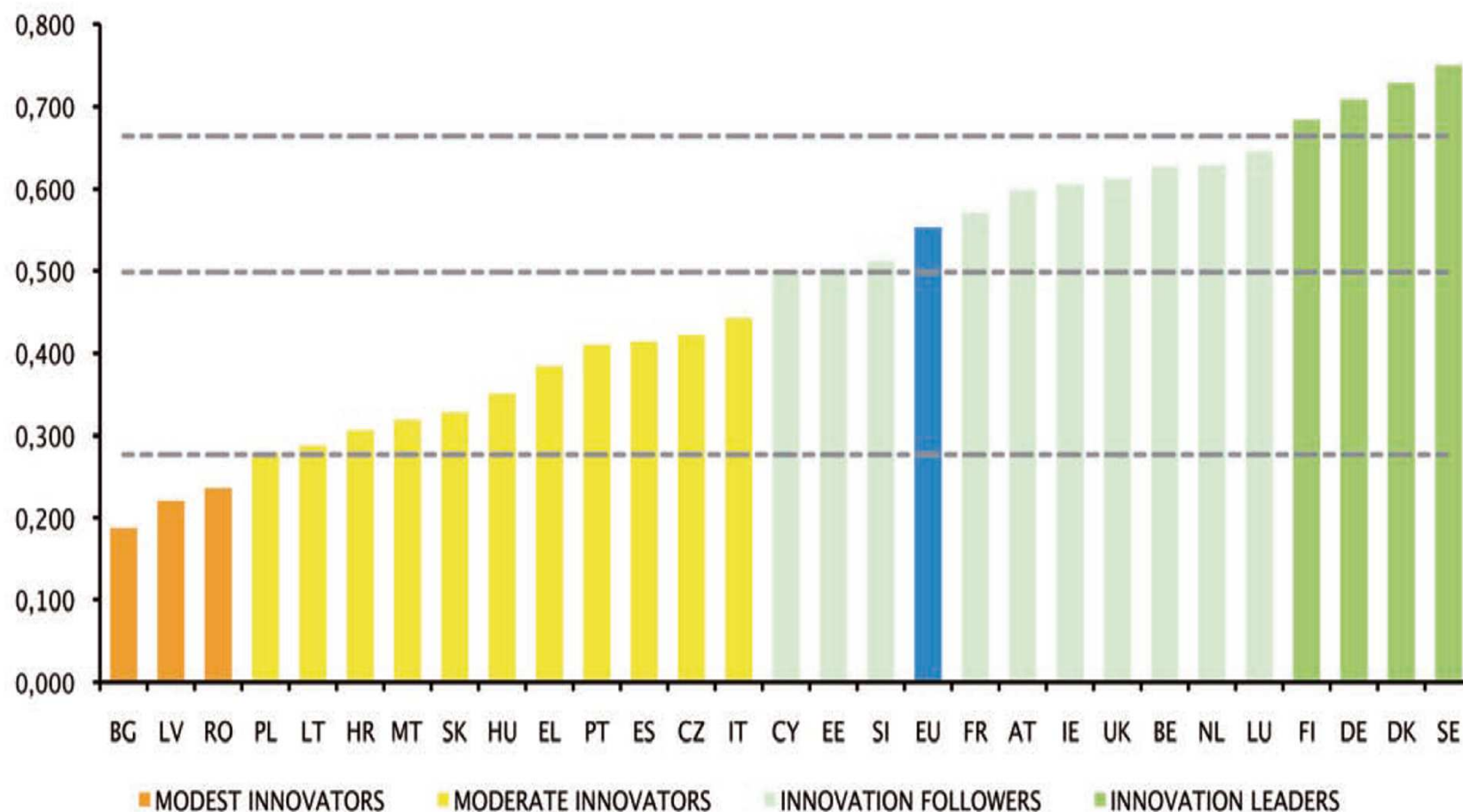
# TOP 10 MANUFACTURERS BY SHARE OF GLOBAL MANUFACTURING NOMINAL GROSS VALUE ADDED



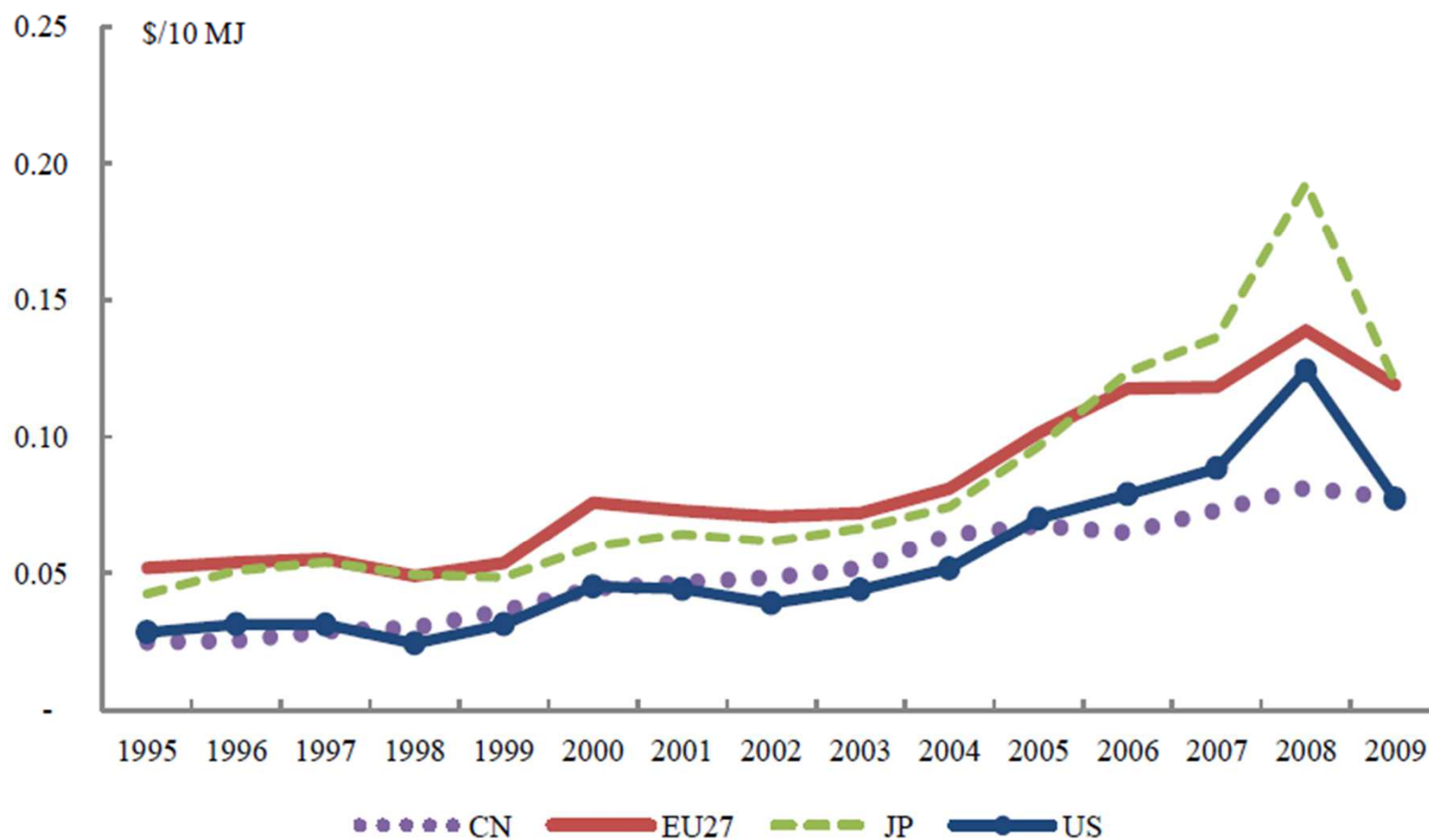
## ❖ **Some difficulties/challenges, including:**

- **Significant fragmentation of manufacturing output across Europe explained by differences in competitiveness factors performance (such as labour productivity, innovation, access to finance);**
- **High energy prices;**
- **Lack of coordination with regard to investment priorities between governance levels;**
- **Difficulties in turning R&D investment in product commercialisation (importance of the three stages of the ‘innovation chain’);**
- **Significant competition disadvantages at international level, lack of alignment between industrial and competition policy.**

## Innovation gap between EU Member States



## Evolution of real energy prices in the manufacturing sector, EU27, China, Japan, and US



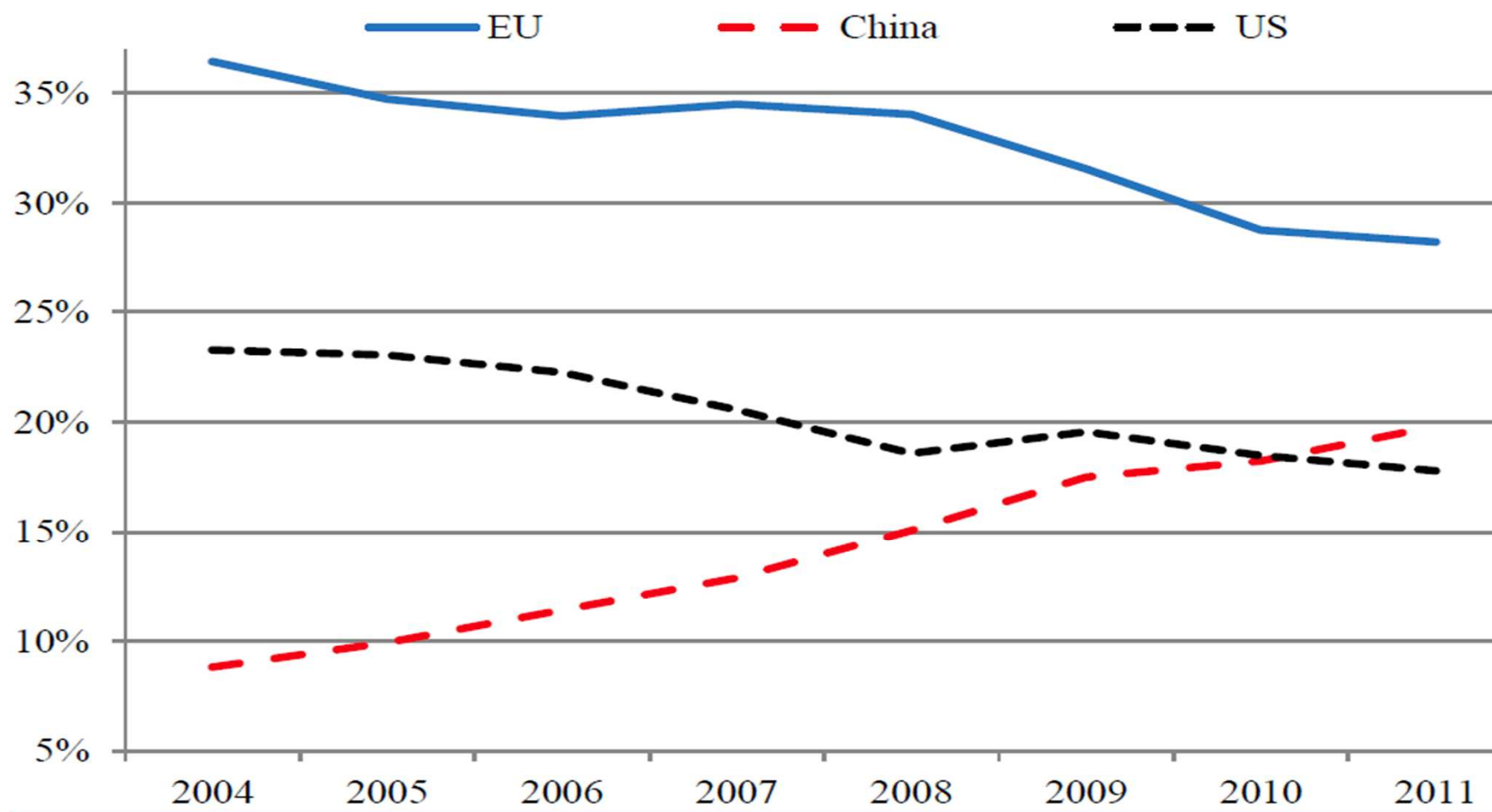
## **But manufacturing matters!**

- **Major source of investment in R&D (62.3% in 2011)**
- **Key source of exports (80% of total EU exports)**
- **Main driver of productivity growth (60%)**
- **Key driver for employment (14% of EU employment), including in services (services related jobs in manufacturing employment accounts for 40%)**

## **...and the EU has some significant assets**

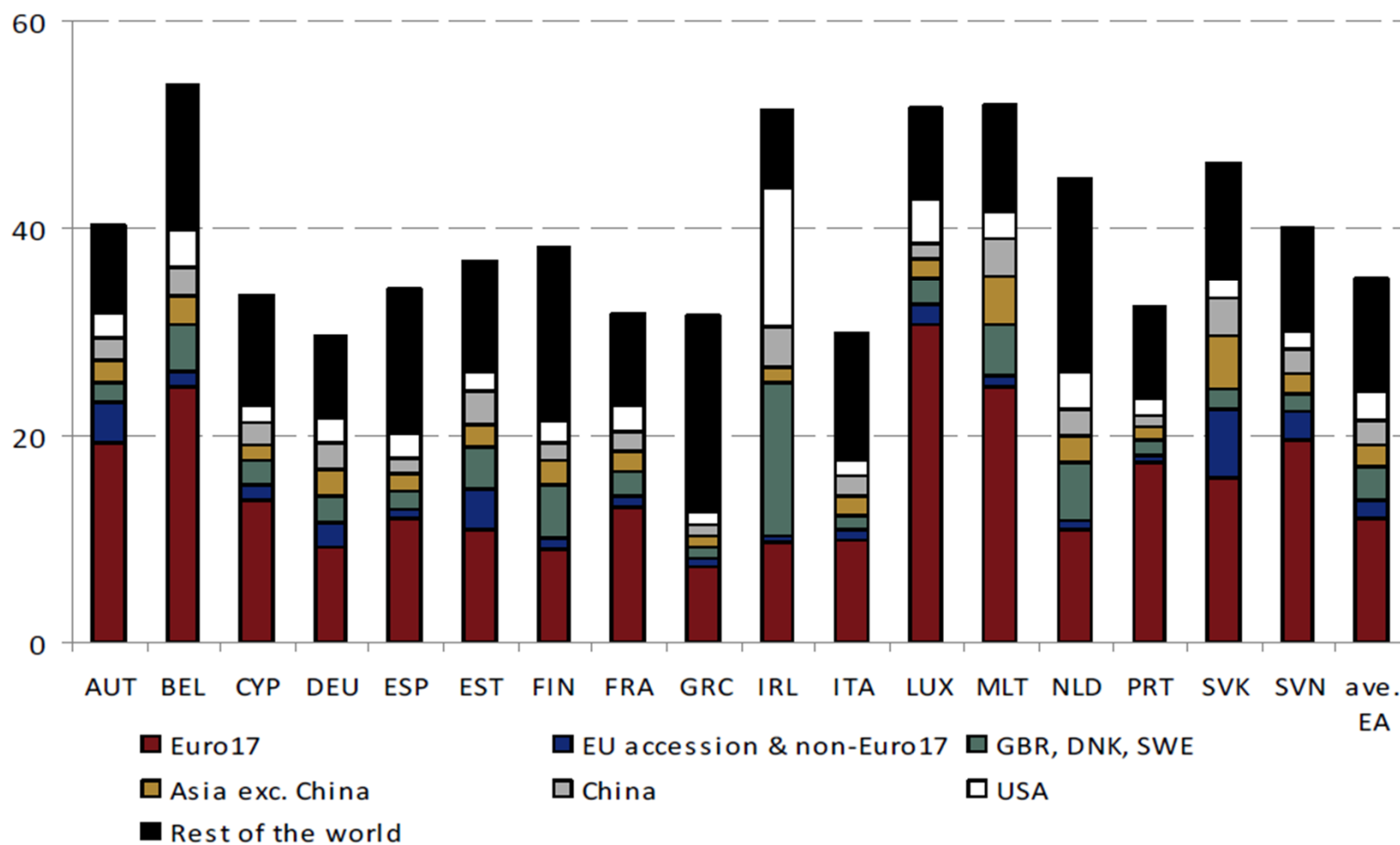
- ❖ **An internal market of 500 million consumers;**
- ❖ **A high qualified labour force;**
- ❖ **Developed infrastructures and well-governed institutions;**
- ❖ **A significant (but decreasing) share in world value added**

## EU, Chinese and US shares of world manufacturing value added, 2004-2011





## Share of foreign value added (in exports) by origin, 2011



# **The need for a new strategic vision on industrial policy**

## **Two guiding principles:**

- 1. A more collaborative approach;**
- 2. Optimisation of EU strenghts.**

## **A toolkit for implementing the vision based on a three-stage process:**

- 1. Requirements preparing the ground for a genuine vision;**
- 2. Implementing the two guiding principles;**
- 3. Enhancing sophistication factors**

## **The rationale behind the two guiding principles**

- **Magnitude of the challenges requires radical changes;**
- **Past policies have shown their limitations;**
- **Increased collaboration needed at all levels;**
- **Fragmentation of manufacturing output across Europe may have detrimental effects;**
- **Need for a strong industrial base distributed evenly across the whole territory;**
- **EU strengths are not fully exploited.**

### **1. Requirements preparing the ground for a genuine vision**

- Smart and better regulation
- Investment in human capital
- Optimising the role of public authorities
- Facilitating access to finance

### **2. Implementing the two guiding principles of the new strategic vision**

- Building a complete industrial eco-system
- Implementing smart specialisation
- Facilitating the Europeanisation of the value chain`
- Completing the internal energy market
- Strengthening the external dimension of European growth

### **3. Enhancing sophistication factors**

- Boosting innovation
- Becoming a leader in new business models

## Some key policy messages:

- Increased **industrial cooperation** based on **clusters and smart specialisation: drivers of the EVC**. Significant economic benefits;
- The **EVC** and **GVC** are **not mutually exclusive**;
- Europe should continue to focus on its **comparative advantages**, i.e. on **high value added activities** – **Objective: limit the foreign added value to activities where Europe cannot compete**;
- Follow the '**Europe first**' **principle** when possible (IP policies, importance of EU funds, reciprocity in access to public procurement);

TT

- **New business models:** opportunity to revive our manufacturing industry; to lead the market in resource –efficient products.
- **Importance of EU instruments** to steer a new industrial policy (EU funds, competition policy, support for smart specialisation strategy) and need for EU mandate;
- Need for **better EU monitoring**, not least the impact of the GVC and off-shoring trends, and to regularly assess the state-of-play of the EVC.

***Thank you for your attention***