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**STEPS
TO BUILD
A EUROPEAN
INDUSTRY FIT
FOR THE
THIRD MILLENNIUM**

S&D

Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

FOREWORD

REFOCUSING ON THE REAL ECONOMY

The virtual and speculative economy is at the heart of the economic and social crisis afflicting Europe. The solution will come from the real economy - from those sectors which actually make things.

On the other hand, the measures taken by the European Central Bank (ECB) during recent months demonstrate that recovery can also be achieved through actions taken by the European Union.

Europe has been a leading industrial region for many years. It is our responsibility to maintain this leadership in these turbulent global times but without sacrificing our social model.

The key to Europe's future is a smart industrial policy.

Industry accounts for roughly a third of gross value added in the EU, with industrial goods making up almost 75% of European exports. Our industry supports one in three jobs, providing direct employment for some 57 million people and accounting for 80% of R&D spending.

Once the knock-on effect is taken into account (each job in industry creates approximately two extra jobs in related services), the impact on employment is colossal.

Hannes Swoboda and Patrizia Toia
*President and vice-president of the
Socialists and Democrats in the
European Parliament*



We need comprehensive 'green' reindustrialisation in Europe. We need an industry that respects environmental demands and creates new jobs. Only an economy with a good balance between the industrial, the service and the agricultural sectors can be successful.

Hannes Swoboda,
President of the S&D Group



Now is the time for a new renaissance in European industry: let's build a basis for reinventing a globally competitive European industrial policy. We need to set up a 'control room' for an industry deeply rooted in our regions and open to our neighbouring countries. We need industry based on a strong integration between manufacturing and services, one which is founded on research, innovation and a strategic programme of growth in the real economy which also includes the sectors and the workers hit by the crisis.

Patrizia Toia,
Vice-president of the S&D Group



European industry is the beating heart of European competitiveness and added value. It is the biggest generator of employment and the starting point for innovation and sustainable renewal. This is why we Social Democrats want to put industrial policy back into the centre of politics after many years of neglect in the EU by liberal market forces.

Bernd Lange,
*S&D Euro MP and author of the
European Parliament report
"An Industrial Policy for the
Globalised Era"*

INDUSTRY MUST BE AT THE HEART OF ALL EU POLICIES

1

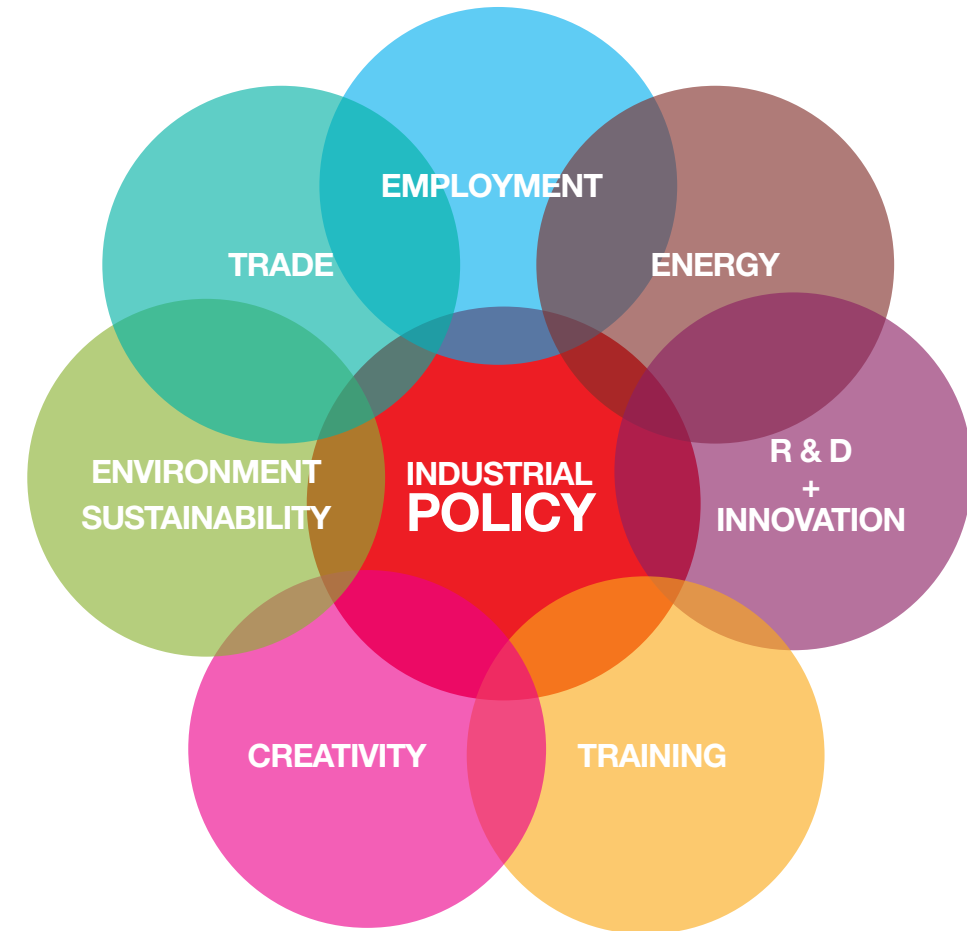
PROBLEM

Europe's industry is losing ground. Emerging markets produce goods more cheaply and many companies now relocate their production outside the EU. Until now, there has been a clear lack of joined-up thinking in EU policy-making which has led to weak and ineffective industrial policy.



SOLUTION

Europe needs more enterprises. The re-industrialisation of Europe must be a cross-sectorial priority for the European Union. All our efforts should be directed at making the EU a competitive global industrial power. To make this happen, all other policies such as research, energy, structural and cohesion funds, regional policy, trade, legal affairs, internal market, fisheries, must be formulated with our industrial policy in mind. Industry plays a central role in sustainable growth and decent jobs and will be the bedrock of our economic recovery.



DID YOU
KNOW...

that industry provides one in three jobs in the EU, creating direct employment for some 57 million people?

PROMOTE RESEARCH AND INNOVATION

2

PROBLEM

Europe is lagging behind in new technologies.

Why is there no European Silicon Valley?

SOLUTION

Invest more in R&D&Innovation. We need to dedicate increased resources and create innovative networks, bringing together universities, research labs and companies, covering the whole value chain and also involving SMEs. Europe needs a change of mentality to improve dynamism within universities and companies. Flexibility can be achieved via the Horizon 2020 programme - the European Union financial instrument implementing research. We also need an innovative Union, one in which flexibility in the rules of participation and openness should ease the flow of ideas and information.



DID YOU KNOW...

that Israel has the highest share of its GDP invested in R&D at 4.8%, followed by Japan (3.4%) and the US (2.7%) while Europe only spends 1.8%?

Source: UNESCO



DID YOU **KNOW...**

that the EU system produces over half a million science and technology graduates per year, compared with under 350,000 in the US and 235,000 in Japan? But the EU employs only five in 1,000 of its workforce as researchers, compared with eight in the US and nine in Japan.

Source: EC



BOOST CREATIVITY

3

PROBLEM

Europe is not fully exploiting its creativity. Our brightest and best all too often leave Europe to work elsewhere, taking the potential for growth and innovation with them.

SOLUTION

We should support young people, encourage new ideas and give a bigger space to creative industries, including design, art. Registering a patent should be made simpler and research findings must be protected by proper copyright.

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QUALIFICATIONS AND TRAINING WHICH BRING OUT THE FULL POTENTIAL IN EVERYONE

PROBLEM

A combination of high youth unemployment and an inadequate framework to realise each and every European's maximum potential closes too many doors to our young people.

SOLUTION

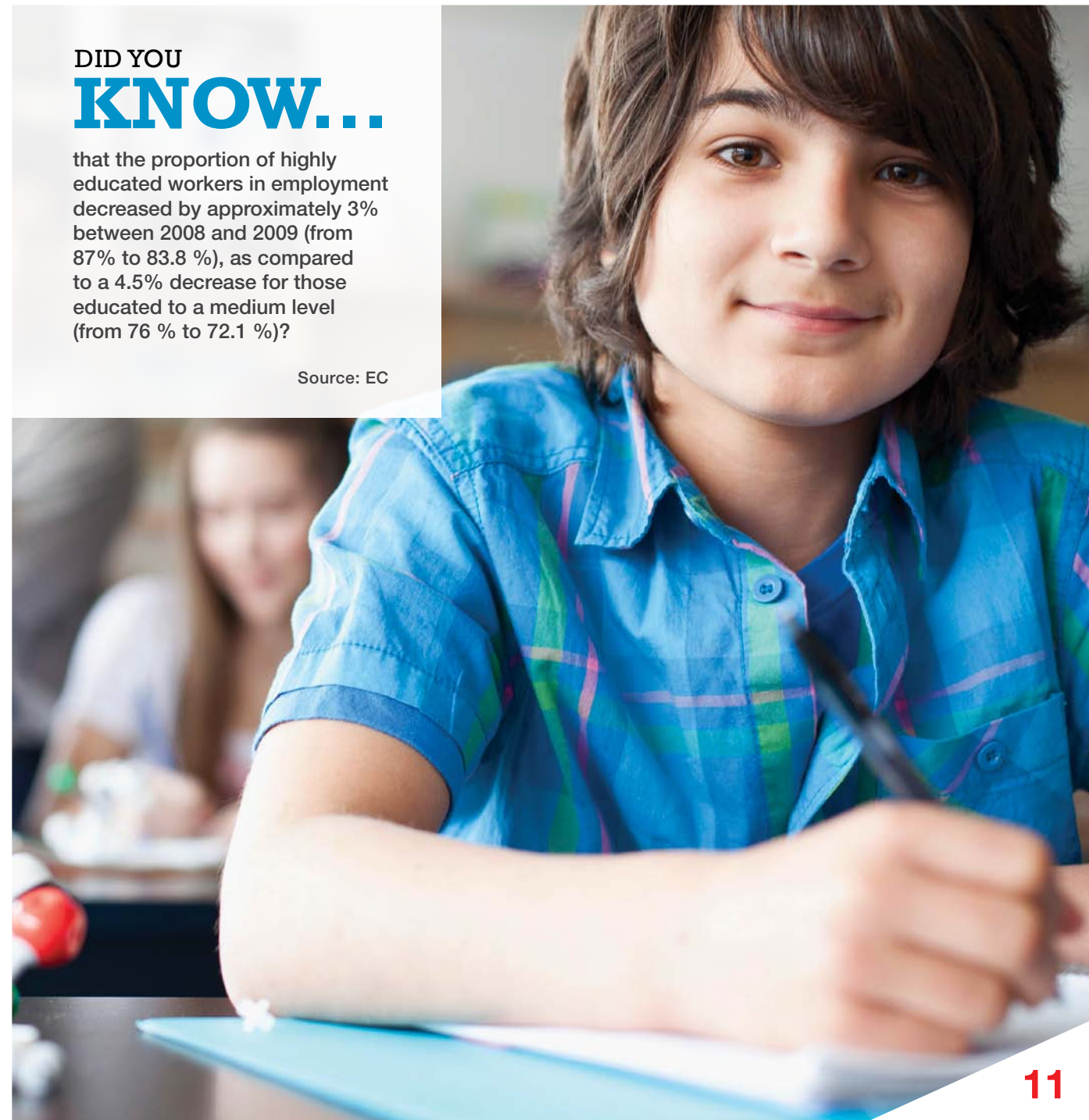
Improve the quality of education. Flexibility is needed to allow for full personal development, better skills and innovative ways of learning and training. New formulas should be provided for young people to start working while they study, or the European Youth Guarantee to provide a job or an internship for young people. This will ease the transition to a full time job.

Investing in people is paramount if we want to have a European industry capable of tackling the major societal challenges in a socially sustainable way. Knowledge is ageless and Europe must invest in life-long learning.

DID YOU KNOW...

that the proportion of highly educated workers in employment decreased by approximately 3% between 2008 and 2009 (from 87% to 83.8 %), as compared to a 4.5% decrease for those educated to a medium level (from 76 % to 72.1 %)?

Source: EC



DID YOU
KNOW...

that over 5,400 cases of large-sale restructuring have taken place in the EU 27 since the economic crisis started - amounting to a loss of over 1.8 million jobs?

Source: ETUC



**INCLUSIVENESS
FOR WORKERS:
LET THEM BE
PART OF THE
VISION**

5

PROBLEM

Massive lay-offs and demoralised workers. Those lucky enough to keep their jobs often feel like no more than a cog in a machine. They need to buy into a shared vision and feel a valued member of a wider project.

SOLUTION

Less hierarchy and more participation. Put faith in the workers and develop an inclusive working atmosphere. Build trust with unions and promote genuine social dialogue, worker participation and make more use of works councils.

SMALL AND MEDIUM ENTERPRISES

6

PROBLEM

European SMEs (including crafts, micro-enterprises, family-owned or social economy enterprises) still depend largely on their domestic markets despite the opportunities brought by the enlarged single market and by globalisation at large. SMEs face strong competition from multinationals which have better access to cheap prices and cheap labour.

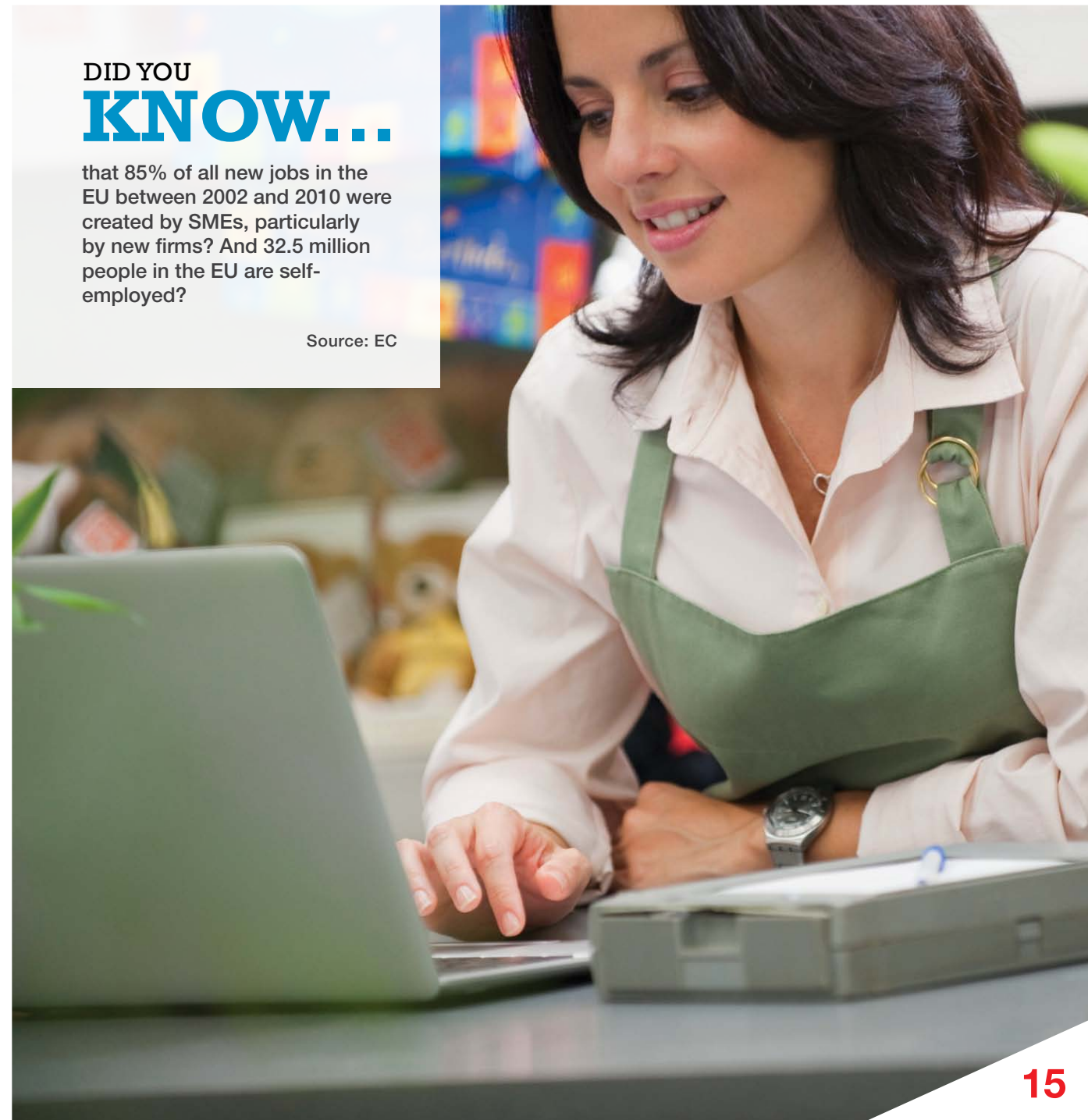
SOLUTION

Improve SME competitiveness by fostering new technologies, limiting energy costs, promoting legislation to encourage recruitment, reducing bureaucracy and developing a modern public administration to support SMEs.

DID YOU **KNOW...**

that 85% of all new jobs in the EU between 2002 and 2010 were created by SMEs, particularly by new firms? And 32.5 million people in the EU are self-employed?

Source: EC



DID YOU
KNOW...

that up to 75% of European
exports are industrial goods?

Source: EC



INTERNATIONAL TRADE STRATEGY

7

PROBLEM

Europe has a negative trade balance. In a globalised world, companies need to be able to resist increasing competition from developed and emerging economies and to plug into the new market opportunities these countries will provide. There is a direct link between internationalisation and increased company performance. International activities reinforce growth, enhance competitiveness and support long term sustainability.

SOLUTION

We must open up new markets for our products. We are competitive on quality, high standards, environmental, labour and social rights. We need to lead a new philosophy for world trade. Responsible citizens demand it.

ENERGY EFFICIENCY

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PROBLEM

Reliance on increasingly expensive energy imports (oil and gas) and industry is focussing its austerity efforts on cutting labour costs, rather than energy costs.



SOLUTION

Just 20% of costs come from labour whereas 40% come from energy. Why not slash the energy bill along with our emissions? There is huge potential for energy efficiency to reduce costs. The development of clean, sustainable energy sources such as renewables will provide a long-term, secure and stable energy supply.

Investment in energy efficiency and clean energy = investment in Europe, which will stimulate industry and create jobs. A euro spent within Europe is worth much more than a euro spent abroad on imported oil and gas.



DID YOU KNOW...

that a 20% energy-consumption reduction in the EU would save 400 billion euros through savings on imports from third countries? This is enough to pay the annual salary of more than 10 million workers.

Source: NGO study for the EC

DID YOU **KNOW...**

that offshore renewable energy has an overall estimated global market potential of 19 billion euros for the next 10 years - around 2 billion euros per year - based solely on planned European wind parks?

Source: EC



ENVIRONMENT AND SUSTAINABILITY

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PROBLEM

Our current model is unsustainable, expensive and creates dependency on unstable regions and partners.

SOLUTION

We need to develop environmentally-friendly technologies and energies: transport, pollution, air quality, water and sea contamination are a growing problem in emerging economies like China, Brazil and India. We can sell them the solution. We should also develop more sophisticated technologies for recycling.

Raw materials are also essential. For example, mobile phones require rare minerals and metals during the manufacturing process - yet only 1.5% of these materials are recycled. Developing the recycling sector and investing in resource-efficiency generates jobs, reduces dependency and enhances competitiveness.

INVESTMENT AND ACCESS TO FINANCE

10

PROBLEM

Companies - particularly SMEs and micro-enterprises - encounter difficulties getting access to finance and risk capital.



SOLUTION

Industry - particularly SMEs and micro-enterprises - should have access to financing. There are European budget lines available such as COSME - the new EU programme to improve access to finance for SMEs - or the European Investment Bank (EIB), but we must also develop innovative financial instruments. These existing and new lines of finance should be coordinated with use of other EU instruments such as budget lines for cohesion policy or the Horizon 2020 7-year research framework programme. The EU must develop a network for business support services by helping enterprises to improve their competitiveness and explore business opportunities in the single market and third countries.



DID YOU KNOW...

that EU financial instruments put in place in 2007-2013 have a proven added value and have made a positive contribution to at least 120,000 SMEs, helping to maintain 851,000 jobs since the beginning of the financial crisis in 2008?

Source: EC

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