

European issues
n°225
16th January 2012

Europe's Industrial Ambition

ABSTRACT

Cradle of the Industrial Revolution in the 19th century, industrial Europe has gradually been caught up and then taken over by other geographic areas - yesterday it was North America, tomorrow it will be Asia. Is this an inevitable development? Should we fear it, resign ourselves to it or fight it? What should we do so that Europe's industrial ambition comes to full fruition? In the light of past major successes the recipe seems to be quite simple: we have to choose the appropriate industrial sectors; we have to stop comparing competitiveness and industrial policy in the ilk of the USA; we have to strengthen national industrial policy coordination and put an end to protectionist behaviour on the part of the Member States; develop coordination work between the Commission and the States with major programmes and by introducing poles of technological and industrial excellence that bring together public authorities, industrial players, research centres, as well as the universities; we must step up the supervision of standards, industrial property rights, the supervision of key technologies; finally we need to develop an intelligent, coordinated, reciprocal policy in extra-European international trade. Hence in an extremely pragmatic manner and in the way Jean Monnet and Robert Schuman would have done, Europe's industrial ambition will be accomplished thanks to specific structuring action.

By **Philippe Camus**
CEO of the Board of Alcatel-Lucent

As the cradle of the Industrial Revolution in the 19th century, industrial Europe is gradually being caught up with and taken over by other geographical areas: yesterday North America, tomorrow Asia.

Is this an inevitable development? Should we fear it, resign ourselves to it or fight it? Can we turn it to our advantage? What can or must Europe and the States which make it up do? What responsibility do companies have?

A key sector facing increasing difficulties: a European industrial policy with relatively little ambition

Industry still occupies a central position in European economy and society. It represents 20% of GDP and 18% of employment in the Union. If we add to that the impact industry has on services, we might reasonably think that industry is at present the driving economic and social force in Europe. Moreover, European industry is generally more powerful than that of the USA both in terms of total production (around 2600 billion € of GDP) and of significance in world trade (around 1500 billion € in exports). With regard to North America and Asia, the strong points of European industry are well known (automotive, agro-food, transport, metallurgy, equipment industry, aeronautics, speciality chemicals etc.). Its weak points are also known: IT, audio and video equipment.

Confronted by world competition after the opening of borders and the entry of many emerging countries in the economic arena, European industry has lost jobs over the last ten years. This is obviously a source of concern that is motivating the governments of European countries and the European Commission.

Political leaders repeat that priority is being given to industry and the idea of an industrial policy was included in article 173 of the Lisbon Treaty which stipulates that "*The Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist.*"

Since the ratification of this treaty^[1], it is true to say that the Union's economy has been hit by financial turbulence that has captured the entire attention of the governments of Europe and has occupied a greater part of the political agenda, but we should unfortunately note that relatively little has been achieved in practice.

Some texts in support of European industry have however been published: the most comprehensive of these being the "EU 2020" Strategy, put forward in March 2010 by the European Commission. Nevertheless, recent European Councils have still not taken initiatives that are sufficiently concrete to address a real industrial policy.

1. The Treaty was ratified by the European Union on 17th December 2007 then by the Member States the last being the Czech Republic on 3rd November 2009. It entered into force on 1st December 2009.

Europe's industrial ambitions are certainly not the focus of the Commission or European governments' action. The reasons for this are well known. The European Union is founded on the opening of markets and competition. Any active industrial policy that implies public action struggles to fit into the European institutions. Industrial policy is seen as "aid to lame ducks" or as an impediment to competition and the free market.

The Commission is making a concerted effort to jump-start its action. The communication of 28th October 2010 on "an integrated industrial policy in the era of globalisation" puts forward an action plan in support of industrial competitiveness but the "action" suggested is often limited to the analysis of results and the setting out of a strategy.

Unlike the competition policy, presently there are no adequate Europe-wide instruments to establish a true industrial policy. Herein lays precisely the ambiguity of the Lisbon Treaty which speaks of the "necessary conditions" for the competitiveness of the Union.

Necessary they certainly are, but they are still inadequate. What is necessary gives authority, what is adequate leads to action, that is the difference.

A counter-productive national approach

Given these institutional difficulties and weaknesses, the Member States of the European Union are undertaking their own individual industrial policies. Of course, each government applies its own criteria for success, i.e. the satisfaction of national interests and the aspirations of their own electorate. National response is all the more acute since the crisis has hit entire industrial sectors. Seeing as there is no adequately pro-active supranational response, industrial policy and industrial ambition are reduced to the national level. This is obviously a major mistake. We just have to look at the industrial world around us. North America has an industrial policy and ambition based on innovation.

China also has an industrial policy and ambition based on the massive potential of its domestic market and on the choice of particularly strategic sectors for its long term development. Europe set itself innovation development goals as part of the Lisbon Strategy; unfortunately, these are far from being achieved.

In the face of these giants, national response is inadequate. Only an integrated, active Europe can lead to the success of long term industrial ambition worldwide. It is not enough just to have a single market – the same industrial policy instruments as other major areas and on a supranational level are required.

Europe still has a sizeable network of industrial companies, be these major multinationals or SMEs, both sharing a cooperative ecosystem. These industrial

companies have been successful to a certain extent. We know about the achievements in aerospace (EADS) or in energy (Royal Dutch-Shell, Total, Areva, Siemens, Alstom, etc.). We do not know so much about the remarkable successes of companies that are positioned in sectors such as manufacturing equipment or chemical specialities. Germany's significant trade surplus shows us clearly that we can be industrially competitive in Europe.

What kind of industrial ambition for Europe?

What has to be done so that Europe's industrial ambition is achieved to the fullest? As demonstrated by already achieved major successes, it would appear to be quite an easy task.

Firstly, the relevant industrial sectors have to be selected. With regard to this, it is the companies know what to do, not the States. Focus should be placed on the existing strong points- which should of course be enhanced- whilst potential future sectors should be explored, as well as key future technologies. These have been pinpointed, and include nanotechnologies, biotechnologies, digital and "green" technologies. Industrial Europe must then act pro-actively and in an integrated manner. This supposes that the European institutions are enlightened, and that we stop bringing competition and industrial policy into conflict and follow the US example, where competition and industrial policies are complementary. This also supposes the coordination of national industrial policies and that protectionist behaviour is finally put to an end within Member States.

German public funds could very well lead to the creation of jobs in France and vice versa. The fair return clause is an intra-European heresy. It has led to the creation of some monsters within certain major programmes and has reduced the effectiveness of all of the policies that have been implemented so far. By dispersing our efforts to satisfy everyone at all times and with regard to every initiative- particularly during the period of innovation or the development of new products- the impact of collective action is diluted. We should do away with the intra-European attitude of "every man for himself."

Once these principles have been acknowledged and the pertinent sectors defined, the Commission and state action has to be coordinated. This can be achieved in two ways: by means of major motivating programmes, and by the launch of poles of technological and industrial excellence that bring together public authorities, industrial players, research centres and universities. In order for this to be effective, dispersion has to be avoided.

There are some other industrial policy instruments that can

be implemented: the control of standards, industrial property rights, the control of key technologies and finally a careful, coordinated reciprocity policy in terms of external European trade. Hence, with pragmatism and in the grand tradition of Jean Monnet and Robert Schuman, Europe's industrial ambition can be achieved by means of specific creative action.

There is still, however, an important ingredient missing to guarantee the success of European industrial companies. Indeed, they are competing with the American, Chinese and Indian companies. This means that in certain areas of activity the latter have a major advantage, since they enjoy a specific national status. This is clearly the case in areas associated with sovereignty (defence, aeronautics, transport, energy, telecommunications), and this extends in a more diffuse -but just as important- manner to all industrial sectors.

To see this, we simply have to consult the list of company heads who are invited to take part in the official journeys of heads of State or government. All industrial sectors are represented to a greater or lesser degree.

Every European country acts in a disorganised manner, whilst we must show support to all of Europe if we are to rise to the challenge of external competitors who use the diplomatic and economic tools of an important country.

Europe's industrial ambition also implies the assertion of the political identity of Europe. That is, however, another story.

the local and regional elections last May.



Source : Le Journal du Net

Author : Philippe Camus

Alumni of the Ecole Normale Supérieure, Philippe Camus is a graduate of the Institute for Political Studies of Paris and agrégé in Physics and Actuariat. His career began with the Caisse des Dépôts et Consignations. In 1982 he joined the management team of the Lagardère group of which he has been the co-manager since 1998. He was the Executive Chairman of EADS from 2000, when it was founded, until 2005. Senior Managing Director of Evercore Partners since 2006, he was appointed Chairman of the Board of Alcatel Lucent in October 2008. He is also an administrator and Chair of the Finance Committee with Schlumberger.

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