

## **Informal Competitiveness Council – Industry**

### **14th and 15th July 2010**

### **Presidency Summary**

At the Informal Council on 14th and 15th July in Louvain-la-Neuve, the European Ministers for Industry discussed the EU's future industrial policy and an innovation policy geared to SMEs. They expressed strong political messages at the prospect of the two key initiatives “An Industrial policy in the era of globalisation” and “An Union for Innovation” and of the mid-term review of the Small Business Act, which is expected to be published in the autumn. In particular, they voiced their support for :

- An ambitious and modernised Community industrial policy, able to address the challenges linked to globalisation and to the transition to a greener economy;
- A Community innovation policy more geared towards SMEs and able of overcoming the specific obstacles that they come up against as regards innovation and eco-innovation.

#### **Sustainable industrial competitiveness policy**

- Industry is a vital engine for European growth. It is central to the European economy and is closely linked to services.
- To achieve the ambitious objectives of the Europe 2020 Strategy and, in particular, to ensure the transition towards a greener and more competitive European economy, an European industrial policy is essential. The Ministers are delighted about the forthcoming publication of the key initiative “An Industrial policy in the era of globalisation” and are urging the Commission to develop a modernised and ambitious approach in it, with a long-term outlook.
- The new European industrial policy should make it possible to respond proactively to the challenges and opportunities faced by the European industry, in particular those linked to its transition towards a greener and more globalised economy. It should constitute a real “*sustainable industrial competitiveness policy*”, based on a global and integrated approach to industrial competitiveness.
- The European Innovation Policy appears to be a central factor in supporting the transition of European industry, and clear links should be developed with the initiative “An Union for Innovation”.
- More broadly, it is clear that other Community policies have significant implications for industrial competitiveness, e.g. environment, energy, employment, education and training, infrastructure, trade, fiscal policies, etc. Stronger horizontal coordination and more involvement of the Competitiveness Council is necessary to ensure that the effects on competitiveness are taken into account more fully in the preparation and implementation of these policies. A clear role should be devoted to Competitiveness Council in relation to the implementation of the Europe 2020 Strategy and its flagships.

- Based on the observation that the industrial sectors are now at the heart of increasingly complex and interconnected globalised value chains, extending beyond traditional geographic borders and sectoral boundaries, there is a need to develop approaches that enable that complexity to be taken into account. The classic distinction between horizontal and sectoral policies should be reviewed, to develop a modernised approach taking into account the intersectoral dimension (and, among other things, the interconnections between industry and services), as well as the external dimension and new globalised value chains. In addition, new methods of multi-level governance should be put in place.
- With regard to the tools to be brought into play at European level in order to implement this policy, the Ministers consider that the following levers should be prioritised : R&D and innovation policies (technological and non-technological innovation), financing, regulatory environment, protection of intellectual property, standardisation, skills, strengthening of the internal market, trade policy, etc. These should, in particular, facilitate a better apprehension of the new factors of competitiveness, and notably the intangible factors and external aspects. EU patent is a key concern.
- Ministers pointed in particular the achievement of the Internal Market as a key element of industrial competitiveness. A strong link should be established with the coming Single Market Act. Fragmentation of markets is still a strong constraint for growth, notably for SMEs. More efforts should be done in specific domains : capital markets, energy markets, digital internal market.
- Trade policies are also considered as central in relation to external competitiveness. Market access strategy, bilateral and multilateral negotiations,... should constitute full part of industrial policy. Protectionism is not considered as a valuable option.
- The question of financing remains a crucial one for European industry. It is an essential factor in supporting steps to set up enterprises and help them grow, whether growth is achieved through innovation or internationalisation. In this field, European action can be decisive in ensuring the development of a more integrated capital market, better conditions of access to financing (for SMEs in particular), and the development of effective support instruments at European level (e.g. EIB/EIF, risk-capital and guarantee tools) and at national level (via an appropriate control of State Aid).
- Greening of the economy is considered as an opportunity. Europe should develop strong competitive position by investing in eco-efficiency and resource-efficiency. In particular, eco-technologies should be supported, and demand oriented measures should be developed.
- In a constantly evolving context in which the pace of change is speeding up, new tools have to be developed in order to anticipate the changes in the competitive environment more effectively.
- Moreover, there is a need to provide enterprises with a predictable regulatory framework, enabling them to work on a long-term view. The political framework should also support the flexibility of industry and its ability to react quickly to contextual developments.
- The competitiveness of highly resource-intensive industries and their anchoring in Europe remains a source of concern with regard to the issues linked to them for other downstream industries, as well as with regard to the global environmental objectives.

Strong attention should be given to the risk of carbon leakage when defining constraining environmental objectives. A level playing field must be guaranteed, and global agreements should be reached. Accompanying measures should be taken to ensure soft transition of industry towards a more eco-efficient model.

- The question of access to energy and natural resources appears to be a central one and determined action is necessary in this area. The revival of the raw materials initiative is a

priority. It should combine measures as regards access to external sources, recycling, eco-efficiency,... Trade policies have a central role to play in this area.

- Given the central importance of SMEs in the economic fabric of the EU, the “Think small first” principle should apply to the various initiatives as far as industrial and innovation policy are concerned. Moreover, SMEs can be particularly vulnerable to the effects of globalisation. Their position within globalised value chains should therefore be consolidated by means of measures to support their internationalisation and facilitate their access to external markets, such as : awareness policies, support to access to finance, clustering policies aiming to ensure stronger networking of SMEs with big enterprises, research centres, universities, ..., developing skills,...

### **Towards an SME-oriented European innovation policy**

- Based on the observation that SMEs have a predominant position within the European economic fabric, European industrial and innovation policies aimed at achieving the objectives of the Europe 2020 Strategy can succeed only if they allow for a wide adoption and implementation of innovation and eco-innovation practices within SMEs. Moreover, innovative young enterprises are an essential engine for growth and factor of change which the EU cannot do without.
- Among the main obstacles encountered by SMEs as far as innovation is concerned, the Ministers listed the most significant ones : access to financing, difficulties in seizing the benefits of R&D and innovation (e.g. cost of patents), lack of capacity for absorption, regulatory and administrative burdens, access to skills, fragmentation of markets, barriers to access to markets, functioning of the financial markets and, in particular, of the European risk capital market.
- The Ministers argued for specific measures to solve these problems to be provided for in the “An Union for Innovation” initiative and to complete the innovation part of the Small Business Act. In their view, some measures should be added in the SBA in specific domains such as financing, clustering, support for young innovative enterprises, standardisation, access to public procurement, transfer of technologies, support to eco-innovation, etc. The implementation of the SBA should be continued, and stimulating entrepreneurial spirit and creativity is to be reinforced.
- The Ministers listed, in particular, the benefit of clustering policies for the diffusion of innovation within the SME fabric, the structuring of efficient regional innovation systems and the anchoring of innovative activities. European policy aimed at supporting the development of innovative and efficient clusters, in particular on the basis of cooperation among networks, should be continued and expanded. European initiatives related to clustering should also be more coordinated.
- State Aid provisions concerning innovation could be reviewed, notably for clusters, non technological innovation, risk-capital, and young innovative companies support.
- Protection of intellectual property, and adoption of EU patent is also a key concern. Dispute settlement system should be enhanced.
- A broad view of innovation should also be taken as a basis, as SMEs can be central players as regards non-technological innovation, innovation geared towards demand and the markets, and organisational change. Innovation in services is also to be considered.
- In addition, a number of Community instruments should be re-examined so that they give greater consideration to SMEs and associate them more. Simplification is key in that perspective. New financing instrument should be developed by EIB and EIF for the support to innovation.