Re-industrialization of Europe-Towards an EU industrial "renaissance" strategy.

Abstract

Traditionally the European manufacturing sector has always plaid a major role in the progress of the European economy, incomes per capita, competitiveness drive, job creation and trade integration .To remain competitive and efficient particularly as regards new emerging countries , producers and exporters around the world , the European industry underwent radical changes especially in the aftermath of the WW II and post- war reconstruction period. Moreover, in the framework of the current globalization process EU manufacturing industry lost weight and its contribution to the EU GDP declined. Over the last few decades services emerged as more vibrant GDP component and many polluting, labor- intensive manufacturing activities were de –localized from Europe to emerging markets (mainly in Asia) . The European manufacturing sector has also been negatively affected by the impact of the financial crisis on the real economy in Europe and globally. Following the crisis, industrial investment and investment in research and Technological innovation dropped significantly in Europe, as compared to the US, Japan, China and other industrialized countries.

The current new phase of industrial automation and digitization process ("Industry 4.0") may contribute to reverse this negative trend by fostering competitiveness, promoting further innovation, new skills and jobs and encouraging organizational change. Indeed, some re-sourcing (as opposite to out-sourcing) may take place in Europe , as it already evident in the US . Automation, IoT , "intelligent" transport and energy, "smart cities" and digitization focus on a more extensive use of ITC devices, sensors, remote control devices , new global production platforms, use of advanced materials , nanotechnologies / miniaturization, the use of super –fast computers , ultra- fast transmission of data and a widespread use or robots in manufacturing processes, assembly lines and industry –related services. These may become the main driving factors for a new, sustainable , clean and efficient re-industrialization of Europe.

A weak and still fragile recovery of the European economy is taking place , supported by a resumption in consumption, export, a new rising demand from an emerging middle- class in BRICs and other emerging markets, a new wave of M&A worldwide, and investment in new technologies and processes. Yet many European enterprises , mainly SMEs (representing the core of the European manufacturing and services sectors) still look fragile . In particular, following the global crisis, SMEs lost an easy access to credit under good credit conditions, they did not resist to a growing competition of Asian producers entering the global market place , they did not have resources (in terms of risk capital or venture capital) to invest in research, innovative technologies and products and they hesitated to undertake new risks in global and volatile international markets.. Furthermore, they lacked also public support and they were negatively affected by new regulatory requirements at national and European level , imposing strict compliance with new and stringent internationally agreed environmental and social standards and conventions.

SMEs were also badly hit by high energy costs in Europe, lack of skilled workers ,declining or highly fragmented public support at EU members states level and a number of other externalities difficult to master. European investors and manufacturing enterprises need to

cope also with a number of new challenges (climate change, impact of BREXIT etc). A progressive structural weakening of the European manufacturing sector since 2008 onwards brought about enormous social and territorial spill -over effects.

Against this background , EU is committed to provide support to its declining manufacturing sector. EU industrial “Renaissance” policies since 2010 have the important quantitative objective to ensure that the manufacturing industry’s contribution to the EU GDP increases from current 14% to 20 % by 2020. This ambitious objective has to be put in a wider context of other EU quantitative objectives such as an increase of EU Member States’ expenditure in research to 2 % of GDP by 2020, EU international commitment to reduce CO2 emissions and increase the use of alternative sources of clean energy , the implementation of an ambitious research programme- Horizon 2020- which the largest research programme in the world . A key role towards these objectives is expected to be played by the EIB and the EU Long- Term Strategic Investment Plan-EFSI (the “Juncker Plan”) , due to be refinanced under the new MFF 2021-2027.

All these sectoral policies are opened to external contributions and international collaboration, mainly in the framework of EU FTAs , bilateral or regional business dialogues, EU economic diplomacy initiatives and the creation of innovative financial instruments by banks, assets managers, Stock Exchanges and venture capital funds .

The presentation will describe the EU ambitious Industrial “Renaissance” package which is based upon three main Communications since 2010:

1) the 2010 Communication on an integrated industrial policy for the globalization era,
2) the 2012 Communication on a stronger European industry for growth and economic recovery
3) the 2014 Communication for a European industrial “Renaissance**”.**

A number of key actions have been taken as a result of this last Communication to promote competitiveness and innovation; improve regulation, progress on the internal market, create conditions for SMEs internationalisation and facilitate a fair access to critical resources. Measures have also been taken to support strategic sectors of the European industry during a process of transformation ,modernization and automation.