

18 June 2019

Informal Meeting of Ministers responsible for Competitiveness
(Research)
Helsinki, 5 July 2019

Background document for break-out group 1

Group 1: Future of European industries: What is needed for the modern European manufacturing industry to prosper in the global context?

Aim of discussion

The aim of the break-out group work is to provide input for further discussion on the key policy actions for enabling European industries to scale up and prosper in the face of global competition.

Background information and relevant aspects for the discussion

Industry is vital for the European economy and for competitiveness and growth in Europe. It employs around 32 million people in Europe and an additional 30 million in industry-related sectors.

The global trade environment has been changing in recent years as the strategic development of other large economic blocks has made it increasingly challenging for European industries to have access to and function on the global markets. Therefore, in order to maintain and improve its competitiveness, Europe needs to implement a modern industrial policy with an integrated approach to other important phenomena such as the transition to a climate-neutral economy, digital transformation and the servitisation of industry.

Future EU policy approaches should better enable the renewal of European industries and businesses, allow them to scale up and to improve their access to global and European markets. It is also crucial to find the means to ensure that European industries have access to and can actively improve their role in value chains with the potential for value creation. This requires, at least, a better understanding of the pace and nature of different markets and value chains.

Value chains and value networks are very different in size as they may be local, European or global. They also are constantly changing, some more quickly than others. Therefore, it is difficult to predict beforehand which businesses and value chains hold the highest potential for the future. To succeed and be able to scale up, European businesses of all sizes need to gain agility, notably by anticipating their digital transformation and by adapting quickly to market changes.

The EU's industrial policy should encourage the development of ecosystems of industrial businesses (both SMEs and corporates), research institutions and other businesses in order to more rapidly propagate innovations, strengthen synergies between different technologies and anchor businesses in the European environment. Building business ecosystems with proper innovation infrastructures could be a way of incorporating digitalisation, carbon-neutrality, circularity and servitisation expertise into industrial businesses.

Proper attention should also be paid to the operating environment of European industries:

Firstly, industries need an innovation-friendly environment which enables an experimental approach and the development and placing on the market of new solutions. In particular, European standardisation should enable and facilitate growth for European industries.

Secondly, in order to remain a world leader in cutting-edge industrial technologies and enable the digital transformation of all industrial sectors, Europe needs to prepare a set of instruments enabling and supporting private and, if necessary, public strategic investments in green technologies, artificial intelligence, high-performance and quantum computing.

Finally, the regulatory framework needs to be designed and implemented to encourage vigorous competition both at national and European level. Well-functioning competition generates positive welfare effects by pushing firms to innovate which, in turn, leads to increased productivity, resource efficiency, better quality, more value for customers, new features and lower prices.

Questions for discussion:

- What are the main benefits and added value for Europe of an integrated approach to industrial and Single Market policies?
- What would be the most important and urgent policy action for the development of a modern European industry and industrial policy?