

Article for the newspapers

Reinforcing the competitiveness of our businesses has acquired vital significance in the crucial ongoing debate on boosting economic growth and employment in Europe. Industry accounts for some 80% of European exports and a similar share of the innovative capacity of our economic system. Without a strong industrial base, it is difficult to relaunch growth and get to grips with our high unemployment. Unfortunately, since 2008 we have lost around 3.5 million jobs in manufacturing, and the share of EU GDP generated by industry has fallen to 15.1%. Turning this decline around is a priority. Boosting growth therefore means finding the right way to make European businesses more dynamic on global markets.

The recently published reports on Member States' Competitiveness and on European Industrial Competitiveness paint a mixed picture. Whilst there are some Member States with high systemic competitiveness, others are struggling and are being squeezed out of global markets. The same goes for the various European productive sectors, some of which are thriving (such as pharmaceuticals, chemicals, engineering, and the automotive and high tech industries), whilst others are suffering, and ever more SMEs are in difficulty.

The two reports try to identify the strengths and weaknesses of the EU's industrial landscape so as to come up with competitiveness policies at EU level and in the individual Member States.. The main problems identified relate to weak domestic demand, lack of investment, high energy prices and an administrative and regulatory environment which is sometimes burdensome to businesses.

The key to returning to economic growth is to promote domestic demand. In addition to restarting consumption, returning to growth means increasing investment, both public and private, one of the components of the economy worst hit by the recession. Increased investment would lead to a virtuous circle of growth which would feed into both demand and the competitiveness of the entire economic system. In this climate of regained confidence, the private sector would also be more motivated to invest.

For this to happen, it is important to ensure that businesses have sufficient access to financing. Without sufficient liquidity for investment and innovation, European businesses risk losing out both on global markets and domestically to foreign products which are cheaper and more innovative. The financial system should be in a position to channel available liquidity towards businesses. I hope that the Banking Union project and the recent initiatives taken by the European Central Bank will bear fruit in this regard very soon. We must also work to improve relations between banks and businesses, resolving the problem of communication between banks and SMEs and promoting new, alternative sources of funding, such as SME bonds and a more structured use of venture capital and crowd funding.

A more business-friendly administrative climate would also help to bolster competitiveness. Taxes on labour and the other factors of production, but also wastefulness and inefficiencies, must be reduced. Efficient public administration is vital for businesses to grow and create jobs. We must reduce the time it takes to grant licences, make the legal system more efficient and cut the administrative burden on our entrepreneurs.

Europe's energy bills are continually rising, especially in comparison with those of our competitors. Even within the EU, prices vary considerably between Member States, reflecting differences in production, taxation and the distribution of subsidies for renewable energies. Notwithstanding a general increase in energy efficiency in many sectors of industry, increases in the price of electricity and gas have had a negative impact on production costs and competitiveness for our businesses, especially in those sectors which are highly energy-intensive.

Despite these difficulties, fortunately there is also some good news. Our industrial sector still has competitive advantages in many high-technology and medium-high-technology sectors, with a comparatively skilled labour force compared to elsewhere. We must therefore emphasise strengths and, at the same time, invest in training our young people and in innovation, infrastructure and internationalisation. These are the secrets to enhancing competitiveness and increasing our presence on international markets where much of the growth over the coming years will be concentrated. That is the formula for returning to growth.

Ferdinando Nelli Feroci