



EUROPEAN COMMISSION
ENTERPRISE AND INDUSTRY DIRECTORATE-GENERAL

Brussels, 20 June 2014
ENTR/A.1/SP/LB/mdc

**MINUTES OF THE ENTERPRISE POLICY GROUP DIRECTORS GENERAL
MEETING OF 20 JUNE 2014**

**1. DELIVERING THE EUROPEAN COUNCIL CONCLUSIONS ON
INDUSTRIAL COMPETITIVENESS**

M. Calleja Crespo introduced the topic of the Roadmap and the initial thinking set out in the discussion note. Following presentations from Director Generals from France, UK and Italy as well as Mr Faross from UEAPME there was extensive discussion with Member States. Concluding M. Calleja Crespo set out five broad areas of agreement between MS from the discussion including agreement on the importance of a strong industrial base, consensus on the four cross-cutting areas highlighted in the discussion note, agreement on the need to focus on EU added-value action and agreement that implementation was key and mainstreaming fundamental within the Commission, Council and Member States.

THE CHAIR highlighted that the discussion note set out some of the initial thinking on the Roadmap and four broad areas around which action would be structured. These were Access to markets, Access to resources, Innovation, and a SME, business friendly environment.

Mr Calleja stressed that this was initial thinking but the priority was to hear from Member States on what where their priorities and importantly the specific issues which they wanted included in the Roadmap. There were then presentations from four speakers on their priorities for the Roadmap.

Mr. PASCAL FAURE the Director General from France highlighted the approach the French administration were taking domestically through their industrial policy. Their research had highlighted the importance of a strong manufacturing sector to research, innovation and jobs creation in the wider economy. Manufacturing as a percentage of GDP had been declining in France and action was needed.

Mr Faure set out action domestically was being taken at a cross-cutting and also sectoral level. Four of the cross-cutting work areas including labour cost, energy, regulation and R&D investment were being addressed. In specific sectors, action over the short, medium and long-term was being planned. Including working through strategic committees and developing specific plans for a number of global growth sectors.

At an EU Level Mr Faure set out that fundamental was looking at all policies from a competitiveness perspective. Some key areas were policies around surveillance of the

internal market, energy, trade policy, state aid and access to finance/venture capital funding. Further mainstreaming was also needed including assessing and strengthening the role of the Competitiveness Council and working through the High Level Group in the Council to focus on mainstreaming. A key message to the new Commission should be 'Think Competitiveness First.'

Ms BERNADETTE KELLY the Director General from the UK set out the UK's approach to industrial strategy. This focused on developing a long-term approach working in partnership with business and across the whole of the UK Government to drive competitiveness and growth. The focus was on working with all sectors and developing partnerships in eleven key UK sectors where the potential for growth was highest. Action was also supporting the cross cutting themes of skills, access to finance, technologies (including investment in 8 leading technology areas) and procurement.

At the EU level Ms Kelly agreed with the broad approach highlighted by the Commission and highlighted a number of key areas for the UK. The single market was a key area which must operate at maximum efficiency. Clear commitments were needed around effective enforcement and implementation in the market for goods, delivering the single market in services and targeting services important to industry and ensuring fit for purpose regulation in digital. Consideration could also be given to looking at the Single Market from a sector perspective.

Access to Markets was important. Delivering an effective TTIP agreement was needed. On State Aid modernisation UK welcomed the process but suggested a more timely and efficient process for decisions on cases was needed. In Smart Regulation the UK welcomed the work being done here. More was needed on cumulative cost assessments and more exemptions for Micro businesses were needed – as well as looking innovation and ensuring that regulation was fit for purpose and did not undermine.

Access to resources was also important around access to finance with further action needed on venture capital and late payments. Energy Prices remained key and the UK welcomed the consultation on EII and Carbon Leakage. Concluding on Mainstreaming Ms Kelly highlighted the need for a whole of Commission approach and a more comprehensive role for the Competitiveness Council.

Mrs MARIA LUDOVICA AGRO the Director General from Italy set out their approach. Italy supported the political objective of a 20% target for Manufacturing as a percentage of GDP. However, what was needed was strong governance working across the Commission. This included a stronger role of the High Level Group on Competitiveness and Growth and a clear focus on mainstreaming, towards strengthening the role of the Competitiveness Council. Mrs Agro set out it would be necessary to find ways to ensure mainstreaming of policies which were not of direct Competitiveness Council competence but still had an impact on competitiveness.

In a number of broad areas –completing the internal market, liberalising international markets, additional resources from the EIB and better regulation Mrs Agro expected to see actions in the Roadmap. She was also interested to see a sectoral dimension to the work in the roadmap and associated with mainstreaming.

Mrs. Agro highlighted the approach the Italian administration is taking domestically through their industrial policy. Italy had implemented mainstreaming as part of the National Strategy for Smart Specialisation, developed by the Ministry of Economic Development and the Ministry of Research. The Strategy was intended to promote the

establishment of a proper chain of innovation and competitiveness, capable of transforming the results of research and innovation into competitive advantage for business and improved well-being of citizens.

In Italy some tools, such as the tax credit for incremental research and development, tax credits for hiring of highly qualified employees, or a financial platform based on a Risk Sharing Facility had also been implemented.

Mr PETER FAROSS Secretary General from UEAPME set out the organisations priorities across seven key areas. These included, continuing efforts on better regulation, continuing and enhancing activity in access to finance (particularly mezzanine finance, late payments and business transfer). More work was needed on skills and particularly vocational training. In innovation, there was a need to ensure the effective implementation of the SME instrument in Horizon 2020 and ensure business driven innovation. Turning to the Internal Market Mr Faross set out that standards for SMEs were important, their needed to be free/affordable access to standards. Infrastructure was similarly a key issue as it was a key pre-requisite for high levels of investment. Finally energy and climate policy were key. It was a fundamental issue for industrial competitiveness. Liberalisation of the energy market was needed and energy efficiency measure especially in the building sector. In conclusion Mr Faros set out that action was key – not further Communications.

Discussion with EPG Members

A number of MSs set out the importance of a focus on implementation and co-ordination as well as highlighting access to resources (finance, skills raw materials) as a key issue. Also focus on the internal market and removing cross-border barriers was needed.

A MS set out they agreed with the French approach of short/medium and long-term plans in sectors. They highlighted the need for an active clusters policy and raised the link between impactions from external competition and state aid.

A number of MSs set out that links between industrial policy, services and digital were needed. Barriers within the internal market needed to be addressed in these areas. For example the mutual recognition principle needed to be strengthened.

A MS set out their agreement with comments made so far and that energy and raw materials remained key for them. They set out specific focus on certain Key Enabling Technologies should not prejudice the development of others.

A number of MS set out the Road map discussion was very important, they highlighted that addressing issues such as the most burdensome regulation where very important. REFIT was welcomed and should be used to underpin the consistency of regulation. They also set out the Competitiveness Council should be strengthened as well as the High Level Group.

A MS set out their gratitude for addressing this topic. Modernising industry in Europe was key if it was going to compete globally. An update to the SBA was needed and further work on standards.

A MS highlighted that this was an important discussion. They welcomed the four priorities. They thought competitiveness first was an important principle – but what mattered was results.

A large number of MSs set out that energy remained very important. The EU could not be competitive without sustainable energy costs. This issue and carbon leakage needed to be addressed.

A MS set out access to finance and cross border venture capital was important.

A number of MS set out that the Role of the Competitiveness Council was key and they supported the Italian position. In addition an ambitious agenda on smart regulation was needed reducing costs to SMEs and real independent control of regulation through an independent IAB.

A MS set out that clear objective setting was important for the Roadmap process with clear views on what we mean by competitiveness and how we achieve it.

THE CHAIR concluded in summarising the debate set out. There was a broad consensus from EPG Members that:

- industrial policy and a strong industrial base was key. “Competitiveness first” was a key message from EPG.
- The outline of the Roadmap circulated before the meeting by DG ENTR, with 4 cross-cutting priorities (Access to markets, Access to resources, Innovation, and a SME, business friendly environment) was the right one. Some issues need to be stressed even more such as energy costs.
- The Roadmap needed to be focused, concentrating on actions with EU added value, and including concrete measures, a timetable and where possible common objectives and targets.
- Implementation was key, with Member States clearly wanting action.
- Mainstreaming was fundamental within the Commission, within the Council and at national level

EPG Members had generally supported the idea that "Think Competitiveness first" should be a new slogan for the EU.

In terms of timing the Chair set out the Roadmap would be discussed at the informal Competitiveness Council on 21 July and at the Competitiveness Council on 25-26 September. The Italian Presidency was targeting having conclusions on the roadmap during the Competitiveness Council of December.

2. DEVELOPING BUSINESS SERVICES IN THE EU

The Report and Recommendations by the High Level Group on Business Services were presented to and welcomed by EPG members. There was a first discussion on the Recommendations, with a broad consensus that manufacturing and related services

cannot be dealt with separately and that business services are essential for industrial competitiveness and should be covered in the Industrial Policy Roadmap. EPG members expressed a strong interest to further discuss concrete policy measures for business services. The need for an adequate regulatory framework, in particular to ensure free movement of business services in the internal market, and skills were highlighted as two major priorities. Some EPG members underlined that better statistics and deeper economic analysis of business services would be necessary.

The Chair and Rapporteur of the High Level Group of Business services, Professor Carlo Secchi and Mr Andy Neely, presented their main findings and recommendations how to fully exploit the growth and job creation potential of business services.

Mr. ANDY NEELY underlined that the scope of business services was very broad, encompassing a wide range of services based on digital technologies (e.g. remote monitoring and in-real-time maintenance of equipment). Staff should be skilled to use advanced technologies, and upgrading skills of people in employment was a particular issue. **Pr. CARLO SECCHI** summarised the main recommendations from the High Level Group to EU institutions, including completing the internal market for business services, using public procurement to stimulate demand, ensuring free trade of business services with non-EU economies, providing business services with the technological infrastructure they need, upgrading skills, and giving visibility to business services for example in the context of the Europe 2020 strategy. He underlined that a strong partnership was needed between EU institutions and representatives of the sector and that a Forum should be set up to facilitate contacts with all relevant Commission services and ensuring close monitoring of the sector's evolution.

Ms CLAIRE BURY, director in charge of services in DG MARKT, underlined in particular the need for an adequate regulatory framework and standards for business services in the internal market.

Discussion with EPG members

5 Member States highlighted the importance of completing the internal market for business services, e.g. by revising the current internal market framework, by expanding mutual recognition and by the internal market is made simple in practice for SMEs. 1 Member State said internal market was a higher priority than exports.

4 Member States particularly stressed the economic importance of business services and their intertwined links with manufacturing.

3 Member States said that more data and statistics were needed, for example to monitor internal market integration and exports and measure economic impacts of business services on industrial competitiveness and growth.

2 Member States stressed the importance of skills.

1 Member State underlined that business services would be essential to allow Europe exploit the huge amount of data generated by the Internet of things. Another Member States suggested that business services should get access to open data (e.g. generic, administrative data). 1 Member State agreed with the Chair of the HLG that public procurement should be used to stimulate demand.

Pr. CARLO SECCHI agreed that data on the sector was missing, also due to the heterogeneous and rapidly changing nature of the sector. He said the High Level Group had asked Eurostat to improve statistics. He said it was now time for EU enterprises to gain market shares in non-EU countries where the business services sector was rapidly developing. He referred to the UK Industrial Strategy on business services which focused both on internal market and exports. He stressed that he was convinced that the

"servitization" of the economy would boost competitiveness and it was now time for policy action. He invited EPG members to read the report of the High Level Group, which contained numerous real life examples. He said again that the Europe 2020 strategy could raise awareness on the importance of business services (e.g. big data for marketing activities).

Ms CLAIRE BURY agreed that open public data could boost the competitiveness of the sector. She said that the Commission should make in-depth sectorial analysis, with a holistic perspective, including economic analysis, and not limited to the internal market, regulatory angle. She agreed that statistics should be improved and made more complete and detailed.

3. DEVELOPING ADVANCED MANUFACTURING IN EUROPE: NEXT STEPS

Carlo Pettinelli, director in DG Enterprise, presented the main elements of the Report by the task force on advanced manufacturing published by the Commission on 19 March 2014. Mrs Hamming-Bluemink presented on behalf of Orgalime about industry needs in the field of advanced manufacturing. There was a broad consensus that advanced manufacturing is at the heart of the industrial transformation of the European economy which is needed to foster re-industrialisation and that concrete measures for advanced manufacturing should feed into the Industrial Policy Roadmap.

THE CHAIR reminded that advanced manufacturing was one of the 6 priority areas identified in the Industrial Policy Communication of 2012 and that the related task force had published its Report on 19 March 2014, on the very same day as the previous EPG meeting where innovation was thoroughly discussed.

Mr. CARLO PETTINELLI, director in charge of sustainable growth and Europe 2020 in DG Enterprise, summarised the main elements of the Report of the task force on advanced manufacturing for clean production. He defined advanced manufacturing as efficient, clean and close-to-demand manufacturing, relying on high performance, flexible production and digital and clean technologies. He said that advanced manufacturing for relevant all sectors and all Member States and regions. Europe had already developed comparative advantages in advanced manufacturing but investment in advanced equipment and machinery¹ had slowed down recently. The Report by the task force highlighted 3 priorities: accelerating the dissemination and commercialisation of advanced manufacturing technologies; boosting the demand for advanced manufacturing technologies; and skills. In 2014, DG ENTR would focus on selected issues, for example with a series of public hearings (stakeholders, regions) about the integration of digital technologies into production processes.

Ms HAMMING-BLUEMINK said that re-industrialisation would not come from a return to pre-2007 industry, but from a dramatic change in the EU's industrial structure. The overall policy framework should be adapted to foster industrial change and maximise competitiveness in this new context. She mentioned the "National Day of Making" recently introduced by President Obama in the US as a good policy practice. The 20% target on industry should be endorsed at the highest political level in Europe and mainstreaming of competitiveness should become a reality. She also referred to the *Smart industry* report published by the Dutch Technology Industry Association FME².

¹ Innovation Union Scoreboard 2014

² <http://www.fme.nl/content.jsp?objectid=55655>

She said that the engineering sector was still competitive worldwide, a strong exporter and had recovered more quickly than other industry sectors. However, this sector needed to locate geographically close to its customers, and therefore fostering advanced manufacturing and engineering in Europe should start with ensuring the overall attractiveness of Europe as a location for production. The sector was seeking a strong partnership with EU authorities in this context, to ensure an adequate regulatory and policy framework, which should first and foremost be predictable and innovation- and investment-friendly. She mentioned several important issues to foster advanced manufacturing in Europe, including: ICT (broadband) and energy infrastructure; digitalisation; interoperability of machinery and systems across the EU; ensuring the industrial exploitation of research results and new technologies in Europe; the adaptation of standards, IPR and other rules; and the use of big data. She also said that engineering and (advanced) manufacturing should be higher on the agenda of European regions in the elaboration of their smart specialisation strategies.

Discussion with EPG Members

3 Member States made statements about the importance of advanced manufacturing for re-industrialisation, industrial transformation and competitiveness, and said that advanced manufacturing should be properly dealt with in the Industrial Policy Roadmap. 1 Member State said the *Smart Industry Report* by the Dutch FME Association should be taken into account in this context. 1 Member State indicated that the Vanguard initiative³ had recently launched an initiative on advanced manufacturing in the context of smart specialisation. 1 Member State mentioned the "4th industrial revolution" and agreed that a target on industry was necessary to ensure effective policy making.

THE CHAIR agreed that the policy making should be adapted to on-going industrial change in order to effectively foster growth and competitiveness. The EU was still a leader in high techs and patenting but competitiveness should be placed in the centre of the EU policy making to ensure that this leadership would translate into (advanced) manufacturing activities in Europe in the medium term.

4. ANY OTHER BUSINESS

As a concrete case for mainstreaming, **THE CHAIR** announced that he would shortly consult EPG Members in written form about the strategic priorities of the Horizon 2020 work programme for 2016-2017. The draft Strategic Programme would be discussed with the relevant Horizon 2020 Committee in the second part of 2014 and EPG Members were invited to contribute from an industrial policy perspective.

THE CHAIR AND ALL EPG MEMBERS warmly thanked the Greek Presidency for the excellent work done in the first 6 months of 2014.

³ <http://www.s3vanguardinitiative.eu/>