The panel was moderated by Mr. Adès.

Mr Clement, German Federal Minister for Economics and Labour, opened the floor by welcoming the Commission’s initiative to have a fresh in-depth look at industrial policy. In his view at least three reasons made this revision urgent:
- Firstly, the upcoming Enlargement which, following the endorsement of accession of ten Candidate countries in 2004 by the Copenhagen European Council, would imply a series of additional challenges.
- Secondly, the present economic context and the high level of unemployment in the EU, which reinforce the importance of the role to be played by industry.
- Lastly, the fact that the prosperity of industry is indispensable for the EU to achieve the Lisbon objectives.

In his view, the Union has hardly moved forward towards the Lisbon goals. In fact the goal is further today than it was at the time of launching the process. Mr Clement underlined that the crucial step forward at this stage is to increase awareness of individuals and of public opinion. A change of awareness should permeate all levels of society and government including schools, national governments, the Commission and the Council. The strive for industrial competitiveness should be present all over. As highlighted by the Commission in its Communication on industrial policy, the manufacturing industry is more important that national accounts’ statistics indicate. If industry’s competitiveness is undermined many jobs will be lost. In Europe industrial policy has been on the defensive vis-à-vis other issues. This situation should change. Industrial policy should be proactive and, when deemed necessary, take a critical view stand up for a balance between the necessity to foster international competitiveness of European enterprises and jobs on the one hand, and environmental and [consumer] other policy goals on the other hand. In the face of tough competition from the US or China, the impact on competitiveness of new measures in these all policy fields should be carefully weighted.

Mr Clement agreed with the importance of the sectoral dimension of industrial policy. Horizontal policies, like those aimed at fostering innovation or entrepreneurship, are essential ingredients of the policy-mix, but on their own they are not sufficient. The competitiveness of every individual sector is determined by specific factors. In life-sciences and biotechnology, for instance, the interaction of frameworks and regulations at different levels is crucial; the transport industry relies heavily on public procurement; chemicals are deeply regulated with safety provisions; shipbuilding industry is largely influenced by world market conditions, etc. The characteristics specific to each sector have to be dealt with. The Commission’s communication is going in the right direction: policy action should be tailored to respond to the specific strengths and weaknesses of each individual sector. In some areas, like telecommunications, action is needed today if we are to stay competitive in the medium to long term. The automobile industry is also in a delicate situation, overburdened by two layers of regulation at the national and EU level. This structure of imbricated EU and national rules place the EU automobile industry at a competitive disadvantage vis-à-vis the US. Chemicals is another area where the sectoral aspects should be looked at more carefully before
introducing further regulation. As a general rule, new legislation, i.e. on environmental standards, should be carefully tested against its impact on industry and employment. Whenever possible we should reduce red-tape and redundant bureaucracy. Mr Clement called on Commissioner Liikanen to come back on these issues in the Competitiveness council. The Spring Council should also consider industrial policy as one of its priorities. Competitiveness should be promoted in all areas.

Responding to a question from Mr Adès, Mr Clement underlined the importance that different public authorities work together. He gave an example of a research co-operation between Denmark and Sweden. Only by collaborating we will be able to compete with larger US research centres. He also noted that the EU had to become a magnet to attract qualified human capital. The US offers an example of good practice in this field as American companies and universities go to third countries like India to headhunt. The EU should also be capable of retaining its own talent and succeeding in becoming more attractive to foreign researchers.

Mr Voschereau, President of the European Chemical Industry Council (CEFIC), started his intervention by praising the Commission initiative to hold such a meeting. As a representative of the “old economy”, he had felt many times in the last years that people looked down on his industry. Today he was witnessing the courage to talk again openly about industrial policy. He agreed with Mr Clement that it was key for the Lisbon objectives to exclude a defensive approach to industrial policy and to have an internationally competitive industry. He stressed that many policies have an impact on industry – competition, trade, consumer health and safety, education, taxation, employment, etc.- and all of them have to take care that we stay competitive vis-à-vis the US. Industrial policy should ensure that all this policies are coherent. In this context, benchmarking against third-countries should be more systematically used as a tool to improve framework conditions. Particularly in the chemical industry, the regulatory environment was a key factor of competitiveness. Therefore, more should be done to ensure coherence across the EU and to fully implement the principles of the “better regulation” initiative. As it stands now, the proposed package of policy measures in the chemicals sector could have far-reaching negative implications for industry and SMEs.

Mr Voschereau stressed that the same objectives could be achieved by alternative ways to the proposed regulatory package. He agreed with the Commission’s proposal to leave to industry - whenever possible - the choice of the means to achieve the set objectives. Mr Voschereau noted that he was proud that the EU has world-leading standards in environmental and consumer protection. But it should not be like this to the detriment of the economy. He recalled sustainability has three pillars, and none should be neglected, not least the one related to the creation of wealth. The Chemical industry is committed to environmental and consumer health and safety objectives. But it is actually the wealth created by the industry’s employees that provides the resources to pay for investments in environmental protection. Their jobs should not be put at risk. The chemical industry regulatory framework should be scrutinised with regard to this. As it stands today; it does not foster innovation: launching a new substance in the EU costs ten times as much as in the US and takes three times as long. The competitiveness of the chemical industry is essential for the EU economy. Chemical products are used as an indispensable input in many other industries. The chemical sector is also very research intensive. We need to create the right environment and, as underlined in the Commission communication, ensure that the regulatory framework and institutions are conducive to innovation.

Following the example of what was done in the aerospace sector, Mr Voschereau proposed to create a high-level advisory group for the chemical industry. This would be composed of industrialists, members of the Commission, and members of the European Parliament, and would analyse the regulatory and business environment of the chemical sector and make proposals for further improvement.

Mr Jaegher, Deputy Chairman of the Group Marzotto S.p.A., began his intervention by expressing some parallels between the textile industry and the issues raised by Mr. Voschereau on the chemical industry. Also the textile industry was once thought to be in serious decline. On the contrary, the EU textile sector is a fashion leader world-wide. Also in cutting-edge sub-sectors, like for instance sophisticated clothes for
Formula 1 pilots and technicians, the European industry is the paramount actor on the world scene. Concerning horizontal, policies Mr Jaegher noted that the EU has to face a daunting task to remove the handicaps which result from 40 years of adding regulations and constraints. Overall, European SMEs face a large burden that will be hard to dismantle. In the field of labour law for instance, Mr Jaegher cited Padoa Schioppa, who highlighted that in the EU the “droit du travail” (labour law) prevents the “droit au travail” (right to work). Benchmarking would be a powerful tool to implement in horizontal areas. As for the sectoral dimension, Mr Jaeger shared the view of previous speakers that it was also a key area to work on. In the textile industry the enlarged market concerns not only the Central and Eastern European Countries, but also North Africa and some countries in Asia. The sector was strongly in favour of realising a large customs union. Europe needs a large market if it is to defend itself from new competitors like for instance the Chinese fashion industry. Mr Jaegher insisted that the European textile sector was not afraid of free trade provided it was paralleled by a levelling of the conditions prevailing in different countries. The rules of the game should be the same everywhere. Finally Mr Jaegher underlined that the industrial policy debate could not be split from Agricultural policy considerations. In international trade negotiations many countries argue that the EU Common Agricultural Policy legitimates some level of protection on their side in other fields, like textiles. If we are to talk seriously about industrial policy the CAP must be put on the table. In Mr Jaegher’s view, it is in times of economic downturn that becomes easier to take the most courageous decisions.

Mr Fernández Toxo, Secretary General of the Federación minerometalúrgica de Comisiones Obreras, noted that his Federation does not share all the ideas put forward by the Commission but appreciates the change of mindset proposed. He also welcomed the open and constructive nature of the debate to which his Federation intends to participate fully. Mr Fernández Toxo recalled that the term “Industrial Policy” had been considered old-fashioned for too long, to the point that some governments even scrapped the Ministry of Industry. In this context too, much faith was often placed on the functioning of markets. Recent developments, like the bursting of the “new economy” bubble, have come to remind us that financial markets can have harmful implications on the real economy, damaging industry and economic development. He welcomes that in the face of these misleading perceptions, the Commission Communication gives a clear picture of the dangers of deindustrialisation and states clearly that the Lisbon goals cannot be achieved without a strong and vibrant industry.

As earlier speakers, Mr Fernández Toxo also agreed that horizontal policies alone are insufficient and that they need to be complemented by a vertical approach. Another mission of industrial policy is also to assist economic agents in managing change. Therefore, particularly in the present context, employment should be an important component of industrial policy. At the sectoral level for instance, trade unions should be involved in the debates on how to shape policy responses. A dynamic approach to change should be taken, one which takes account of the evolving needs of the consumers and producers. In the face of excessive bureaucracy and the lack of flexibility, we need to think of a single framework for labour relations in Europe. The social dimension of the single market should be reinforced. Some good examples of modern industrial policy, which combine a market approach with other considerations, already exist.

Mr Fernández Toxo, highlighted the importance of striking the right balance between different elements like security and change, or competitiveness and workers needs. In the Aerospace sector for instance guidelines have been taken which are sensitive to employment implications. In the shipbuilding industry, the leadership project proposed by Commissioner Liikanen, will also combine competitiveness considerations with measures aimed at avoiding further ecological disasters like the Prestige. Mr Fernández Toxo also noted that industrial policy should tackle the social side of economic restructuring which affects such diverse industries like steel, ICT, or automobiles. For unions, enlargement will bring opportunities but also challenges and uncertainties which might materialise in negative implications in both present and future Member States. The Commission Communication is an encouraging step towards an industrial policy that moves ahead of what may come from the market alone.

Commissioner Liikanen, emphasised that competitiveness is determined by a blend of horizontal and vertical factors. The Commission aims at creating an open and predictable framework focused on the long
term conditions for businesses to flourish. Open markets and competition are for instance two necessary ingredients for wealth creation and innovation. But in the past, the importance of horizontal conditions alone has been overstated. This neglects an important part of reality. In chemicals for instance, a solid horizontal basis is important – i.e. access to foreign markets- but regulations are determinant for innovation and jobs. In pharmaceuticals, it is key to strike the right balance between public health considerations and innovation. The automobile sector is another example of a heavily regulated sector. A competitive industry relies on the right horizontal conditions but sectoral regulations have to be such that they do not stifle companies.

Commissioner Liikanen noted that the Commission intends to respond to this reality following a three step methodology. First, the Commission will look at which sectors are under competitive pressure, for instance in those areas where we are observing a trend of de-localisation. Second, an in-depth analysis will be undertaken to understand thoroughly what are the problems and eventual policy gaps in a given sector. Finally, the policy-mix will be adapted accordingly. Policy measures will be designed at tackling effectively the problems found. Policy action will focus on those areas where the impact on innovation and research could be the greatest.

Commissioner Liikanen highlighted examples of similar exercises which have been undertaken recently. These include the STAR21 project, where a comprehensive analysis of the aerospace sector has been carried out with the cooperation of stakeholders, experts, Commissioners and members of the Parliament. The analysis has shown the way forward and largely improved our understanding of the issues at stake, like the importance of the overlaps between civil and military segments of the sector. Another example of this type of project is the so-called G10, in the pharmaceutical sector. In this project a high level group - with the participation of ministers and industrial experts- has tried to draw the line between public health and competitiveness considerations. At present, the Leadership project, for the Shipbuilding industry, is underway. In all cases the involvement of stakeholders is crucial.

Commissioner Liikanen stressed that the final aim is to find the policy-mix that makes a difference and that creates the best conditions for our companies to be competitive. That is the best guarantee to maintain and create jobs.

Mr Clement highlighted his agreement with some of the points raised by Mr Fernández Toxo, of the Federación minerometalúrgica de Comisiones Obreras. The challenges are such that governments and unions need to work together. In the face of greater competition from countries with lower labour costs it is essential that we find the right balance between higher flexibility and the traditional social conditions that apply in Europe. Europe’s system of social security needs to keep its high standards, but also has to be brought into line with the new competitive environment.

From the floor, Mr de Buck, Secretary General of UNICE, stressed the importance of balancing the three pillars of the sustainability strategy and highlighted that this principle should be enshrined in the new Treaty, which is discussed at the moment by the Convention on the future of Europe. He welcomed the overall Commission approach to the sectoral dimension of policy and noted that it should not be neglected that different sectors are also inextricably linked. He also recalled there is already a social dialogue at the EU level.

Commissioner Liikanen opened his closing remarks by replying to a couple of questions from the floor.

The first one, concerned the problem that industrial policy was sometimes detached from the needs of SMEs and their value chains as community research and ICT programmes were not always adequate and affordable for SMEs. Commissioner Liikanen acknowledged the importance of the problem which steams from two conflicting challenges. On the one hand, the challenge of good financial management and control tends lead to large projects, on the other it is crucial that SMEs have access to Community funding for research. In this context the Commission encourages SMEs to get together in a consortium so that they can apply for large projects. In answer to a further question on how to reconcile industrial policy
with other policies which have their own objectives –i.e. environment, competition, consumer protection and social policy-, Commissioner Liikanen recalled that innovation, as environmental or consumer protection, is also a public good.

Industrial policy, as noted by Minister Clement, needs to move away from a defensive position. Competitiveness is a pillar on as equal a footing as the other two. With the implementation of the better regulation initiative, all new regulatory proposals will go through impact assessment. In the end the Commission college will still have to do the arbitrage, but the methodology will allow decisions to be taken on the basis of a quantified and solid analysis of the implications and costs for companies. Also the Council and the European Parliament will know how much it costs when they change the Commission’s proposals. Decisions will be taken on the basis of good knowledge of their implications.

Commissioner Liikanen also announced that the Commission intends to undertake a screening of how different policies can better contribute to competitiveness. He also emphasised the importance of working together with Member States. While several policies are carried out at the EU level, like trade, the internal market or competition, many others are the responsibility of Member states. Here we can apply benchmarking, with the advantage that in this field everybody agrees on the objectives. The Competitiveness Council will be a good platform to look after the interest of industry.

Commissioner Liikanen concluded by committing himself to analysing what had been said during the conference and taking full account of it when preparing the Commission’s proposals for the Competitiveness Council of March. He also encouraged the Greek presidency to raise these crucial issues to the Spring European Council, so that innovation, entrepreneurship and industrial policy prominent roles be fully recognised in the decisions and conclusions by the European Council.