

Speech by Reinhard Bütikofer, Member of the European Parliament and Rapporteur on Industrial Policy, for the Enterprise Policy Group Meeting on 20 November 2013.

Dear Ladies and Gentlemen, esteemed colleagues,

First and foremost, I would like to thank the European Commission and in particular Vice-President Tajani and Director-General Calleja-Crespo, for inviting me to today's meeting on the future of industrial policy and looking ahead at the European Council in February 2014. It is an honour for me to be here with you today and share with you some points with regards to industrial policy.

Let me begin by stating the obvious: it's good that industrial policy is receiving focussed attention, which it deserves. This is also thanks to Vice-President Tajani's commitment in this field.

In an increasingly competitive and challenging global environment, there is a distinct need for an industrial policy for Europe. Allow me to highlight three specific political points in my presentation on this issue. These are, first the need to focus on a coherent European industrial policy and governance, second the implementation of industrial policy and the role of regions, and finally third the need to advance an industrial policy that promotes competitiveness by pursuing sustainability.

A European industrial policy obviously doesn't mean a policy dictated by Brussels for all 28 Member States. The treaty doesn't allow that and reality doesn't allow it either. Instead it means a coherent European approach which pools expertise and brings our efforts together. If we do not hang together - we'll all hang separately and undermine our own efforts. Raw materials policy is an area where we can learn from in this regard.

How many of the Member States are for example busy doing raw materials partnerships? Germany has done raw materials partnerships with Kazakhstan, Mongolia, Chile and is negotiating with Peru. Meanwhile, Poland is also talking with Mongolia about a raw material partnership and Vice President Tajani is pursuing a raw materials partnership with Peru and Greenland. The UK and France have also indicated an interest in creating raw materials partnerships. Wouldn't a more coordinated approach be much more effective?

Coherence and coordination is of the essence, also for sectorial issues ranging from ICT, automotive, defence or the steel industry. And this is most importantly a question of governance. How do we co-ordinate? How do we talk about industrial policy strategically together? The Enterprise Policy Group makes an important institutional contribution in this context. And the Competitiveness Council can be a strong governance vehicle at the European level - as outlined by the Industry Ministers of Spain, Portugal, Italy, France and Germany in their op-ed in the Wall Street Journal in December of last year. And Vice-President Tajani has been successful in promoting a stronger role of the Competitiveness Council and advancing informal meetings with industry ministers on major policy issues and on industrial sectors.

But, as the Commission has often said and as the honourable Ministers have highlighted in their article, "industrial policy is of a horizontal nature". As such, it seems to me, that there is a need to create linkages between the Finance Ministers, Economic Ministers, Energy Ministers, Environment Ministers, Labour Ministers, Education Ministers, and so on. Multi-stakeholder fora are needed and Vice-President Tajani's European Innovation Partnership on Raw Materials could be an interesting approach in this context.

Second then is the question: how to implement European industrial policy? As a starter, we have the European Semester. This could be an effective instrument to advance policies, implementation and oversight. Both Commissioners Tajani and Potocnik have made important contributions in this regard. Vice President Tajani has put forth the need to annually assess progress in the implementation of structural reforms and on the effectiveness of industrial policy measures in the context of the European Semester. While Commissioner Potocnik has made recommendations to integrate resource efficiency and waste policies in the European Semester. I believe these to be key proposals.

The second vehicle to advance implementation is through Europe's regions. After all, our regions are the ones that are close to the ground and can effectively design and implement their region-specific industrial policies. To what degree will Member States be willing to cooperate with the EU Commission in the building and the promotion of adequate regional platforms?

The European-level and the European Commission can play the role of a facilitator. I'm convinced it should. It can help regions to build industrial strategies for smart specialisation by providing the necessary platforms for regions and EU institutions to exchange best practice, ideas and policies. My own home state of Baden-Württemberg has - for example - formulated a new resource efficiency strategy. Perhaps this might be of interest to other regions in Europe who are working on this issue and want to advance such a policy.

These platforms can also be a gateway for EU advice and support. If a region, for example, wants to pursue smart specialisation, the Commission could provide advice with regards to how to promote that, in which area it should specialise, what kind of financing opportunities there are for such a strategy, what education policies can be advanced to ensure we have the necessary skills for this specialisation strategy, and so forth and so on.

Such an integrated approach can also help in the establishment of clusters and formation of say transnational or cross-regional clusters or even European value chains and symbiosis effects. Particularly with regards to the last, the recent launch of a European Industrial Symbiosis Association, supported by Commissioner Potocnik, is going in that direction.

And thirdly, I believe that our industrial policy needs to be an innovation-promoting strategy that combines industrial competitiveness and sustainability, ensuring European leadership in global value chains. Now is not the time to dither but rather it is the time to put the petal to the metal in order to drive innovation, efficiency, and an increase in high-value added activity. And the draft European Parliament report,

which will be voted on next week Thursday, is supporting such an approach, the strategy of which we have coined "RISE". This stands for "Renaissance of Industry for a Sustainable Europe".

The think tank Bruegel, for example, has recently said that the credo "Europe needs industry" should be replaced with the motto "Europe needs innovative firms that operate in activities with a high-value added and participate in European and global value chains". This is where our strengths lie and where we have the best cards. Our competitors are hot on our heels and have built up their own industrial strengths and value chains, first and foremost, in the low-added value segments. It will be difficult to compete there so instead, we need to transform our manufacturing towards higher value-added with more innovative activities. And as Bruegel highlights, this cuts across all sectors, even in traditional sectors such as food and textiles.

In this context, the European Parliament report is making a number of recommendations ranging from innovation policy, access to finance, skills and human capital, regional policy as well as raw materials and energy policy.

The German Material Efficiency Agency (DEMEA) has for example estimated that 100 billion EUR a year in Germany alone could be saved by more efficient production processes. And a failure to deliver cost effective energy efficiency could cost our economy over 50 billion EUR per year by 2020.

The European Competitiveness Report of 2013 has also stressed, that Europe is not sufficiently increasing its productivity. This is because we are less digitally-connected, and there is less financing available for example for measures such as resource and energy efficiency. As such, we need to advance a digital industrial policy and also to promote energy and resource efficiency policies measures.

State aid could be an interesting instrument here. In the context of the revision of the state aid guidelines for energy and environment, a study by the think tank E3G, which I commissioned, makes a number of interesting recommendations. These include, for example, creating a block exemption for all energy efficiency schemes which have been notified as part of the Member States' Energy Efficiency Action Plans, creating a block exemption for resource efficiency under national policy plans, as well as creating a block exemption to public financial institutions and products with a clear low carbon purpose such as, for instance, the UK Green Investment Bank. All of this would increase European resilience and affordability, it would help scale-up investments and of course it would help drive innovation and competitiveness.

Last but not least, let me address energy prices. This is of course one of the core topics. We should not reduce policy to the pursuit of cheaper energy via shale gas. Energy infrastructure and energy efficiency have a key role to play. The issue of shale gas in Europe is questionable.

Analysts from Deutsche Bank to the Oxford Energy Institute have all highlighted that shale gas will be much more expensive in the EU than in the US. Fatih Birol from the IEA has already stated on numerous occasions, that he does not believe the US shale boom can be transferred to Europe.

Europe cannot bank on shale gas to drive a reindustrialisation. We must bank on our innovation and efficiency potential. This is where we have leadership - in energy and raw materials efficiency and that's what we should pursue.

President Obama in his inaugural address in 2013 summed it up by saying "we cannot cede to other nations the technology that will power new jobs and new industries, we must claim its promise. That's how we will maintain our economic vitality." This should be our approach and we should take leadership here.

Thank you all again for giving me the opportunity to share some thoughts and I am looking forward to future discussions in which all the different groups in the Parliament are willing to actively contribute.

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