

**For a change of course in the European Union:
Make industrial competitiveness the backbone of European action**

Open letter from Cercle de l'Industrie with a view to contributing to the European Council of March, 20-21st 2014 and to the renewal of the Parliament and the Commission

The European Union (EU) has become aware of the essential role played by the enhancement of industrial competitiveness in revitalising growth and employment in Europe, and we welcome this. But beyond all the speeches, now is the time for action. The **share of manufacturing in EU's GDP is constantly decreasing** (from 18.5% in 2000 to 15.1% in 2012) **and the competitiveness of our industry continues to deteriorate compared to our major competitors**: since 2008, the productivity gap between the EU on the one hand and the US and Japan on the other, which had been tightening before the crisis, has been widening since. Action must be quickly taken on the essential drivers for the recovery of competitiveness: energy costs, access to long-term funding, research and innovation, etc.

The members of Cercle de l'Industrie, leaders of major French companies active in many industrial sectors on the European and world markets, call on the EU to change course by placing productive forces at the centre of its action. **Europe needs a policy supporting its industrial competitiveness, which would boost European attractiveness to invest, innovate and create jobs.** This involves making competitiveness a priority of all European policies. To this end, Cercle de l'Industrie developed the following ten proposals, structured around two lines of action:

- **integrating industrial competitiveness upstream of the European decision-making process;**
- **mobilising all European policies to support industrial competitiveness in Europe.**

Strong and concrete commitments must be taken in this direction. In this respect, the European Council of March 2014 which will be in particular dedicated to industrial competitiveness is an opportunity that the European Heads of State and Government must seize.

Cercle de l'Industrie also invites French political parties to promote these proposals within their European coalitions, so that they are incorporated into their campaign agendas for the upcoming 2014 European institutional renewal.

Philippe Varin, President of Cercle de l'Industrie

Cercle de l'Industrie is a forum for dialogue and exchange of views aimed at large industrial companies. It brings together around thirty large French companies operating worldwide in all industrial sectors as well as political leaders. Cercle de l'Industrie promotes constructive dialogue between its members and aims at ensuring an important role for industry in the national and European economic system.

**Make industrial competitiveness the backbone of European action:
CERCLE DE L'INDUSTRIE's 10 PROPOSALS**

Proposal n°1: adopt a binding target for the industrial recovery of Europe

The European Commission proposed in 2012 that the EU set the goal of raising the share of industry in GDP from the current level of around 15% to as much as 20% in 2020. **Adopting this goal and making it a mandatory target** would require a reorientation of European policies (competition, energy, sectorial industrial policies, etc.) towards improving industrial competitiveness. It would send a strong signal to economic actors.

Proposal n°2: ensure European legislation that supports and stimulates industrial activity

The EU should only legislate when needed in a proportional way that shall not exceed what is necessary to achieve the objectives in view, as required by the treaties. It must guarantee high-quality legislation: clear, consistent, stable that would not generate unnecessary bureaucracy and would give companies the necessary period of adjustment while ensuring at the same time effective transposition by Member States, with an *ex ante* and *ex post* assessment of the impact of any new regulation on industrial competitiveness.

Proposal n°3: integrate support to industrial competitiveness in all European policies in a coordinated manner

As regards EU policies impacting industrial competitiveness (energy/climate, competition, trade, internal market...) **a properly coordinated, synchronised and integrated approach is needed**. This requires a change in governance towards a greater coordination within the European Commission and the Directorates-General concerned: it is vital that DGs step out of their silos and start working together; they should be grouped in **"competitiveness clusters"**. This also implies, in the many areas where EU action coexists with national action, to enhance coordination among Member States (particularly in the field of energy), and to develop and exploit synergies across EU and national instruments (such as support to R&D programmes). At the level of the Council of Ministers of the EU, the **Competitiveness Council** should be the effective guarantor of this approach.

Proposal n°4: increase the information, consultation and involvement of industrial companies in the development and implementation of policies that impact them

The Commission, the Parliament and the Council of the EU must **be more pragmatic and more open to dialogue with industry** to find solutions to the problems posed. On issues having an impact on industrial companies (such as the negotiation of a trade agreement, or the development of a plan to support an industrial sector), informing and consulting companies shall be mandatory at each stage of the development and the implementation of European regulations.

Proposal n°5: finally recognise industrial competitiveness and the security of energy supply as priorities of the EU climate & energy policy as it is the case for sustainable development

The EU is victim of a growing divergence in Member States' energy models which go in the opposite direction to the necessary coordination and integration, entailing delays, increased costs and considerable waste with dramatic consequences for industrial consumers (the disparity in electricity prices across Member States is widening) but also for energy producers and suppliers of equipment and energy technologies which are denied visibility. The definition of a 2030 framework for EU climate change and energy policies must be a priority for the next institutional term. This framework should be centred on **three priority objectives: fighting against climate change, ensuring access to a competitive energy supply cost and ensuring the security of energy supply.**

Proposal n°6: significantly refocus competition policy towards a more pragmatic approach, more favourable to producers, more aware of international competitive realities

The Commission must cease to consider free competition on the internal market as an end in itself, but a means of restoring growth and employment in Europe. We need to reconsider competition policy in the light of its impact on industrial performance and the EU economic fabric in terms of costs for European companies, of value creation, of employment, of investment in R&D and of export earnings, etc. In addition, the Commission must **integrate the pressing need for external EU industrial competitiveness**, which involves taking into account the international economic environment in which companies operate. In this regard, it should propose solutions to reflect the public support enjoyed in their countries by foreign firms which compete with European companies on European markets (such as higher R&D subsidies than the ceilings allowed in Europe, export subsidies, etc.).

Proposal n°7: beef up EU trade policy and support for industrial exports

Facing increasing protectionism, the EU should review its trade policy to **better defend its industrial interests**. The opening of the European market must be carried out on a basis of reciprocity, fairness and respect for commitments made and taking into account the trading practices of our developed and emerging partners. Export credit public tools need to be modernised to reflect the advantages enjoyed by third-countries' companies. With the United States, the EU must negotiate a trade agreement favourable to its manufacturing sector by promoting European standards and ensuring an effective opening of U.S. public procurement to European companies. Moreover, members of the Eurozone must act on the monetary front to better support the price competitiveness of their exports.

Proposal n°8: complete the internal market in all areas directly impacting companies competitiveness

The main objective of the European legislator should be to foster a genuine internal market without national barriers to the development of EU companies. This implies European harmonised rules in all areas directly impacting their activities such as trade secrets, and to organise convergence in direct taxation: a consolidated corporate tax base, production taxation (environmental, energy and local). This also requires a uniform application of these rules throughout the EU: it must in particular ensure goods compliance in the internal market (including those imported from outside the EU) with environmental standards and consumer protection. This finally requires achieving 'European Networks' (energy, transports and telecoms) without which Europe can never be an integrated economic area.

Proposal n°9: ensure industrial companies' competitive access to medium & long-term financing in Europe

Access to financing is a key element in an economy's competitiveness. Yet since 2008 access to credit has become rarer, more expensive and shorter term in Europe, in particular compared to the United States. The European Parliament should ensure that the ongoing financial system reforms do not restrict **companies' access to credit and bank guarantees which are essential for the recovery of the industry in Europe**. We need to diversify business financing opportunities and ensure that accounting and prudential standards support the competitiveness of European companies.

Proposal n°10: deploy a real sectorial industrial policy in synergy with the actions carried out at national level

To be effective the EU must **develop its sectorial approach of the European industry**. The selection of the targeted sectors should be based on transparent and objective criteria such as the number of jobs, investment in R&D, European know-how, or the ability to respond to the major societal and environmental challenges. It must take into account the specificities of the sectors or technologies targeted, and define support and development measures in consultation with the major groups and SMEs concerned. All synergies with national sectorial industrial policies must be exploited.