

## News from Brussels

# EUROPE NEEDS INDUSTRY - BUT MUST DO MORE TO STRENGTHEN IT



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VDMA President Carl Martin Welcker

When Jean-Claude Juncker delivered his annual State of the European Union speech in Strasbourg on September 13, the state of European industry was one of the first topics he mentioned. “I want to make our industry stronger and more competitive. This is particularly true for our manufacturing base and the 32 million workers that form its backbone,” said the President of the EU Commission in the European Parliament and announced a new “industrial policy strategy” to promote European companies.

By Eike Radszuhn

The past few years, however, have demonstrated a clear divergence between the EU’s promises on industry and its actual policy. Even though politicians constantly stress the great importance of manufacturing for Europe, the EU concentrates on more popular areas, such as startups or consumer goods, without realizing the implications for industry. Furthermore, Juncker’s new ‘strategy’ barely contains any new proposals, but rather sums up already existing initiatives.

One week before the State of the European Union speech, VDMA thus brought representatives from the EU institutions and businesses together at an evening reception in the heart of Brussels. The title of the event included the main message: “Industry needs Europe - and Europe needs industry.” European industry clearly benefits from the EU, for example, through use of the single market or a common trade policy. However, industrial policy is not a one-way street: if the EU wants to meet its economic and political goals, it will need to depend on a strong European industry as well.

### Lack of strategy and commitment

In his welcome address to the 120 guests, VDMA President Carl Martin Welcker pointed out that companies expect more from Europe than that which they have seen over the past few years. “There were times when EU politics spoke up more loudly for European industry than it does today,” Welcker said and reminded the audience that in 2014, the European Union pushed forward an ambitious agenda to increase the industry share in Europe. The Commission even called for a ‘European Industrial Renaissance’. “Unfortunately, this enthusiasm for a bold and comprehensive industrial policy seems to have been lost,” Welcker stated.

When confronted with such an analysis, European policymakers often refer to the broad scope of single initiatives by the EU that address specific industrial issues. And indeed, the Commission regularly issues proposals that affect companies’ day-to-day business. However, what is lacking is a defined strategy to channel these initiatives - and a spot high up on the Commission’s list of priorities to implement such a strategy.

### Digital single market

One example is the EU’s digital policy. When the Commission came up with its proposal for a digital single market in 2015, the paper dealt mainly with the challenges for start-ups and consumers. The fact that digitalization is probably the current biggest challenge for European manufacturers was broadly ignored, despite the calls by representatives to set up a common framework for Industrie 4.0. Only a few months later, the Communication “Digitising European Industry” added the industry’s expectations to the Commission’s digital policy.

During his speech in Brussels, VDMA President Welcker mentioned trade policy as a second example of where the EU could do more for its industrial companies. "Opening up new markets is vital for our companies, because most of the global economic growth is taking place outside of the European Union," he said. However, the EU try to solve all kinds of global problems through the use of trade instruments: the enforcement of human rights for example, the improvement of workers' rights or better environmental protection. "It is alarming that even trade policy is no longer just about opening markets and strengthening the economy," said Welcker.

### **Words of understanding**

Nevertheless, there are encouraging signals that European politicians understand this critique and will focus more on industry in future. In her keynote speech at the VDMA reception, Lowri Evans Director-General for Internal Market, Industry, Entrepreneurship and SMEs in the European Commission, clearly aligned herself with industry. "Industry needs Europe, and Europe needs industry - I am absolutely fine with this equation," Evans said and pointed to the 1.5 million jobs European industry has created since 2014. "However, we do not see this positive development in all countries. This is a problem we have to solve."

The European Parliament was also understanding. "Germany is particularly strong when it comes to the digitalization of industry. But Industrie 4.0 will not work if it only takes place in Germany. There is the danger of a digital divide in Europe," said Reinhard Bütikofer, a parliamentarian from The Greens. For instance, there is much room for improvement when it comes to digital skills or the needed infrastructure. "We need a European approach for the digitalization of industry or we will leave potential untapped," he emphasized.

### **A strong industry can be economically and politically beneficial**

Finally, the EU must recognize that it does not just benefit economically from a strong industry, but politically too. While industrial policy lost its status of being the hobbyhorse of many European lawmakers, issues such as climate change or better working conditions especially for older people remained high on the EU's list of priorities. However, since the EU will only find solutions to these challenges with the help of modern (production) technologies, companies that develop and market these technologies might soon be back in the spotlight.

Or, as VDMA President Welcker put it in his speech: "A determined industrial policy in Europe is needed and will pay off. Industry needs Europe, that's for sure. But keep in mind that to master its challenges, Europe will need a strong industry as well." ■

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