



22 February 2018

European Industry Day 2018
Brussels, 22 February 2018

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Dear Minister,

Dear Vice-President,

Dear Director General,

Honourable guests, Ladies and Gentlemen.

Let me first thank you for inviting me. I am truly honoured to speak here again as I joined the first edition last year. I would like also to congratulate Minister Karanikolov for a very successful Informal COMPET Council in Sofia three weeks ago. BusinessEurope director general, Markus J. Beyrer, had the opportunity to address the Council. It has shown, once again, the strong commitment across member states to implement and further develop an industry policy.



I will start my intervention by briefly commenting on the **role of industry**. To offer a bright future to citizens, the EU and its member states must continue to make the reforms that are necessary to modernise our economies and societies. In this regard, industry plays a crucial role and this is why we must keep industrial policy very high on the political agenda.

I am sure you all know how important industry is to our overall economy and society, be it for jobs creation [generally high-skilled jobs and above average pay], investments in research and innovation [2/3 of total EU investments] or the closer and closer relation with services [they are the most important “raw material” of the manufacturing industry]. Going beyond these facts, my first message today is to have full trust in our industry. We do not compromise and we live up to consumer confidence.

Ladies and Gentlemen,

Let us now have a closer look at the broad **international picture**. While the EU has made great progress in reducing both the cost and time of doing business, it still takes about three times the cost and almost twice the time to set up a business in the EU compared to the US. All the discussions I had in Davos show that global players are turning their attention to increasing their industrial base. This should be factored into our reflexion on shaping our own strategy.

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Open trade is highly important for the development of a prosperous and innovative industry. However, protectionism is on the rise. Protectionism doesn't make Europe's industry stronger. Europe must remain an open market and resist inward looking national industrial policies. Especially the measures taken by our main competitors like the US and China to support their industries must be duly accounted if we want to stay competitive in the global market.

In the **US**, in the medium-term, there could be spill-overs in terms of innovation and technological development from the tax reform which was adopted last December.

The completion of the US tax reform is a major achievement, with many provisions in the bill likely to make the tax system less complex and therefore to encourage companies to expand and invest. We recognize the boost this can give to US competitiveness and we need to respond in the EU, by continuing to make our business environment more competitive.

The US Administration is also preparing major infrastructure investment plans that will likely boost business growth and jobs and attract further FDI. Here it will be critical that European companies are not excluded from the US public contracts through stringent "Buy American" provisions.

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China on the other hand has recently adopted an ambitious strategy to upgrade their industry, called “Made in China 2025”. This is an initiative to comprehensively upgrade China’s manufacturing industry, and increase China’s innovation capability, quality, efficiency, integration of industrialization and information technology. China has pinpointed 10 specific sectors, in which it aims to become a global market leader.

Although industrial upgrading can be beneficial for China and the broader world economy, it has chosen an “inwards-looking” path to achieve its goals that raise concerns. Its stated goals are to exclude foreign companies from its supply chains in these sectors to reduce foreign dependence, to acquire foreign technology to complement domestic innovation, use large scale subsidization programmes to support its domestic industry, and acquire ambitious global market shares.

As you can see, these big players are taking bold actions to build on their industries. And it is our joint responsibility to make sure that it will be our model that prevails. Europe needs to ensure it focuses on its own industrial strengths and ensure that it can compete with its main competitors.

Ladies and Gentlemen,

Talking about the diagnosis is important, but not enough. Action is what really matters. The further development of Europe’s industry strategy

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requires action on several fronts: from the design of a long-term vision, with clear goals and indicators, to the re-think of the EU's governance structure to allow for a true "industrial competitiveness mainstreaming". But bold decisions on how serious policy-makers are on industrial policy will come very soon. The first one will be on investments in research and innovation in the forthcoming MFF framework negotiations [the so-called "FP9"]. Here the situation is rather clear-cut:

What we need is:

- To substantially increase the EU budget on research and innovation. The EU's research and innovation policy is clearly underfinanced. An additional €150 billion a year would have to be invested to reach the EU's own 3% 2020 target.
- To address the innovation gap, by turning our excellent knowledge in Europe into new products, solutions and business models faster and more intensively. We need more focus on impact, with projects likely to be commercially successful.
- To incentivise industrial and key enabling technologies as they underpin Europe's global competitiveness in various industries, especially in high value added and technology-intensive products and services.

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What we don't need is:

- That good research programmes are stuck in laboratories and do not find their way to the market.
- That scaling-up EU investments in research and innovation becomes the hostage of budgetary trade-offs. Even if it implies financial costs in the short-term, such investments will pay for itself in the long-term.
- That support to industrial-led projects becomes blurry in the “FP9”. We need clarity and certainty that Europe is committed to support industrial technologies and research to tackle societal challenges.

All those points are pivotal to the negotiations on the next MFF, which implies our priorities of the next decade. And I believe this is well in line with President Juncker's words to *“make our industry stronger and more competitive”* and *“help our industries stay or become the world leader in innovation”*.

To conclude, let me assure you that BusinessEurope is fully committed to building a strong European Union with a sound and innovative industry. But for this, industrial policy must remain a true priority on the political agenda.

Thank you very much for your attention.

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