



European Chemical Regions Network

Strategic Position to Europe 2020 flagship initiative on industrial policy

Taking the opportunity for a new integrated industrial policy to foster an economically, socially and environmentally sustainable development in Europe

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Commission strategy

The Europe 2020 flagship initiative "*An integrated industrial policy for the globalization era*" aims to enhance competitiveness and sustainable growth. The objective is to draw up a framework for a modern industrial policy that supports entrepreneurship, guides and helps industry to become fit in order to overcome challenges and promotes the competitiveness of European industries. The horizontal approach of the European Commission combines different policy instruments such as "smart" regulation, competition rules and standard setting, and promotion the internationalization of SMEs.

In its Communication of October 2010, and in an update in October 2012, entitled "*A stronger European industry will lead to growth and economic recovery*", the European Commission commits its political agenda to a strong European industrial base. To deliver on this agenda, the Commission proposes a partnership between the EU, Member States and industry in order to enhance investment and innovation in six priority action lines: advanced manufacturing technologies; key enabling technologies; bio-based products; sustainable industrial and construction policy and raw materials; clean vehicles; and smart grids. Furthermore, the strategy entails measures to equip Europeans with the necessary skills for the future in order to facilitate industrial restructuring. The overarching target is to increase Europe's industrial share of gross domestic product from 15 % today to 20 % in 2020.

Moreover, the Europe 2020 strategy entails that agenda for Smart Specialisation, which will form the basis for the Structural Funds investments for research and innovation in post-2013 Cohesion Policy. Smart specialization provides a strategic approach to economic development through targeted support for research and innovation, based on regional competitive advantages, strategic priorities and visions, and smart policies. In essence, evidence-based policy design and smart strategies will also contribute to the goals of the Europe 2020 strategy.

Importance of industry in times of economic crisis

The European chemical regions network –ECRN– welcomes this clear strategic position. The economic crisis has shown how dependent growth, international competitiveness and employment are on a strong industrial base. Countries with a relatively high proportion of industrial added value, such as Germany, the Netherlands and Poland, were more successful in recovering from the economic crisis of 2009 than Member States with a less robust industrial basis. A competitive and diversified value chain in the manufacturing sector secures long-term employment, prosperity and quality of life in Europe.

Strengthening the real economy is thus a necessary basis for a successful long-term economic development and a rapid recovery from the financial and economic crisis. The impacts of the recession shows that it is now time to focus on a renaissance of industry. ECRN sees the development in attitudes towards manufacturing sectors as an opportunity for a positive long-term economic development in Europe. ECRN is willing to contribute to the current industrial policy debate and establish intelligent concepts and programs for a new integrated industrial policy in Europe.

Central idea of an integrated industrial policy

ECRN is convinced that a modern industrial policy combines different policy areas to an integrated economic, environmental and social policy strategy. Industrial policy therefore becomes a cross-cutting task and acts as a bridge between different policy areas.

- ECRN supports the Commission in its efforts to transform the European economy into a **resource-efficient, low-emission and climate-friendly economy**. These efforts, however, should not be at the expense of achieving the equally important targets of entrepreneurial competitiveness and socially responsible industrial development.
- ECRN sees that **social, economic and environmental goals in policy-making** must be given equal weight and have to be united under the umbrella of a comprehensive industrial policy strategy.
- ECRN calls for greater **coordination and adjustments in all energy regulations** to avoid disparities in terms of regional and international competitiveness due to differences in energy prices across Europe. Moreover, ECRN is concerned with the **high energy prices in Europe** – especially in comparison with other parts of the world, such as the US, South America, Asia, or Middle East – as this is reducing the attractiveness of investments in Europe. Instead, investments flow to countries outside Europe. This is a real concern, as less investment in base chemicals weakens the whole value chain and the innovation capability of Europe.
- In line with the concept of **smart regulation**, ECRN sees the need of testing the influence of new regulations concerning internal-market or environmental and other such issues on business competitiveness. ECRN provided a good test bed for instance with pilot projects for testing the REACH Regulation leading to balanced decisions that deliver key EU policies whilst avoiding potentially damaging cost burdens or disadvantages in terms of competitiveness.

- However, in all efforts for an integrated new approach for industrial policy, it has to be kept in mind that it is primarily strong partnership working with **industry that will provide the fundamental keys to solutions** for numerous social and environmental challenges.

As fields with urgent needs for solutions under the rooftop of an integrated industrial policy ECRN predominantly underlines the importance of:

- **energy policy** (with reliable framework conditions),
- **feedstock policy** (open to all kinds of feedstock),
- **research initiatives** (flexible to new ideas),
- **foreign economic policy** (incl. raw material and resource supply),
- **fiscal policy** and regulation of financial markets,
- **standardization**, and
- **innovation policies**.

Existing strengths of European industry in world markets – the role of chemical industry

The traditionally strong sectors in Europe, such as chemicals, engineering, automotive, and electronics characterize the success of the European economy in itself and in international markets. The proportion of European exports of manufactured goods on a global scale lies at around 17 %, followed by China with about 13 % and the United States with 11 %. These figures show the outstanding position of EU manufacturing industries in global markets.

In particular, ECRN points out the crucial role of the EU chemicals industry. Chemical industry in Europe is integral for the success of numerous downstream manufacturing industries in the value chain. The European chemical industry has a strong global position. With a turnover of about 640 billion Euros in 2011 the European chemical companies – with more than a million workers - generated more than 23 % of global turnover in their branch. As an enabling industry, chemistry has a significant importance for many other industrial value chains. About 70 % of chemical industry materials go into general industrial processing. Chemical industry is thus closely linked with other sectors. As a key supplier of materials, the chemical industry has the potential to function as a key driver for innovation in numerous downstream value chains. That counts for the production of basic chemicals as well as for the increasing focus on specialties.

Policy guidelines

A successful industrial policy must lay its priority on providing a framework for prosperous development of industrial companies. ECRN sees the predominant role of EU industrial policy in providing equal and fair competition and to set appropriate conditions for successful and sustainable industrial development.

The overall goal should be to strengthen the competitiveness of companies at the market on a European scale. It is therefore of vital importance to provide strong integrated European infrastructure. Increased intra-European and global division of labour and rising need for mobility require tailored and modern transport and telecommunications infrastructure. Several projects of ECRN are already focused on the needs of new concepts for the modernization and development of road, rail, and pipeline connections. Further needs identified are to advance broadband deployment in rural areas.

Especially in times of economic recession in wide parts of Europe, ECRN welcomes European initiatives for new strategies for growth and employment.

- ECRN asks for new strategies and initiatives for growth and investment apart from the generally welcomed policy of consolidating public budgets to reduce debt exposure.

Internal Market and Integration

ECRN agrees with the Commission that the European internal market is a key element to making European enterprises more competitive at an international level. An integrated single market of 500 million consumers, 220 million workers and 20 million businesses combines the strengths of individual Member States to a shared network of an outstanding economy. Strong trade relations between Member States and an increasing mobility of labour provide benefits for all people in Europe.

Role of Regions

Dialogue process

ECRN considers that Europe 2020 provides the right guidelines for a sustainable and intelligent growth in an integrated Europe. However, the EU Commission has rightly stated that success in achieving Europe 2020 goals will depend - in many parts - on decisions taken and implementation carried out at local and regional level.

- From the perspective of ECRN, the proposals for a re-industrialization of Europe should **include as many stakeholders as possible**, including regional representatives.
- ECRN is convinced that it is crucial for European institutions to **cooperate with regional representatives in developing and implementing an intelligent Industrial Policy**. By giving regional stakeholders a stronger voice at European level, new opportunities especially for SMEs may be opened and be heard in the European political concert.
- Furthermore, **regional authorities and institutional representatives provide superior knowledge of specific regional and local conditions** and thus are able to develop and implement policies in a tailored way.
- Thus, ECRN demands in particular a **strong involvement of regional institutions, Local Economic Partnerships and representatives in a broad dialogue process**.

Subsidiarity principle

- Generally, ECRN demands **subsidiarity as the guiding principle** for European industrial policy activities. The European Semester is one key tool concerning the coordination of budgetary and structural policies.
- It is vital to foster European integration and promote the agenda of **harmonization and coordination** in Europe. The financial crisis has highlighted the need for an integrated European economic policy.
- These principles count especially for fiscal policy. ECRN opposes competition in regional and national tax regimes. A successful integrated European marketplace makes further **harmonization in fiscal policy** essential.

Study on regional policies to support competitiveness of the chemicals industry

As one of the supporting measures to enhance competitiveness of the European chemicals industry and develop better policies, the European Commission organized a study to analyse policies in chemical regions to support the competitiveness of the chemicals industry.

The study covered 26 of the most important European chemical regions – including all of the ECRN member regions. The examples provided in the study illustrate the importance of well-designed and tailored regional policies to support industrial growth.

Moreover, interregional collaboration and networks like ECRN are necessary to provide the connection to European policies for regional policy makers. For an integrated industrial policy, continuous dialogue, cooperation and aligned measures from the EU to national and regional levels are important.

For the full report, see the European Commission website (DG ENTR): http://ec.europa.eu/enterprise/sectors/chemicals/files/sustdev/chemical_regions_final_report_en.pdf

- In the fields of **energy policy, trade policy or environmental policy**, ECRN also supports attempts to strengthen harmonization and a better coordination of policies at EU-level.

Education and skills policy

- ECRN is convinced that **in terms of education and skills policies national and regional competences are crucial**. Cultural differences across member states and European regions make individual approaches to education and qualification policies essential. The chances of alternative educational systems should be utilized.
- ECRN regions from the UK, Italy, and Poland have collaborated on skills issues within the framework of the ChemClust project and its pilot project on “Skills Foresight”. The **regional experiences and true needs should serve as a base for developing further initiatives** for bridging the gap between the need of equipping Europeans with the skills they need and the facilitation of industrial reconstruction in the area of chemical industry.
- In a competitive knowledge based economy, ECRN highlights the **need for efforts in education and training**. Especially the chemical sector demands highly educated and qualified employees to advance its status as an innovative high-tech-industry.
- Currently, indicators show that in the European chemical industry a lack of skilled employees is not to be expected in the medium-term. This counts for skilled employment in academic as well as in non academic fields. However, there may be variation across regions, and measures should be applied accordingly, depending on the local needs and enabled by European support measures when necessary.
- ECRN is concerned about the high unemployment rates especially in southern regions of Europe and among young people. To provide qualified labour for educated people currently suffering from unemployment is one of the main political tasks on the European agenda. ECRN is convinced that **a strong and competitive chemical industry bears the chance to give new impulses for jobs and employment across Europe**.
- It has to be ensured that supplied qualifications match best with industry needs. Here, ECRN sees, first, industry itself and, second, especially concerning academic education stately authorities and universities in responsibility to establish **modern and future-oriented educational programmes**. Strategies and measures to promote young people’s interest in natural sciences are welcomed and supported by ECRN.

Cohesion Policy

- **ECRN welcomes the agreed Cohesion Policy**, taking into account the general guidelines and thematic key aspects of the Commission's Europe 2020 strategy.
- The European Cohesion Policy, in particular with regard to ERDF, serves as a successful example to highlight the **importance of regional competences and subsidiarity in a European context**. ECRN welcomes the leading principle of promoting local strengths and smart specialization in the new EU Cohesion Policy for 2014-2020 which enables regions to address their particular needs and conditions in a tailored way.
- ECRN also supports the **Smart Specialisation** strategy incorporated in the post-2013 Cohesion Policy and Research and Innovation investments. **Evidence-based policy design** and regionally relevant strategic priorities are necessary to **maximize the knowledge-based development potential** of European regions.
- ECRN underlines the Commission's view that **regional policy plays an essential role in driving the shift to investments in smart and sustainable growth** appropriate to the leading principles of Europe 2020.
- ECRN further demands that promotion of profitable **entrepreneurial investments** must play a key role in regional policies. In all regions private investments contribute to **adaption and diffusion of innovations**, bring forward growth and, therefore, are crucial to make Europe 2020 and the flagship initiative "An industrial policy for the globalisation era" a sustainable success.

Importance of small and medium sized companies in a regional context

A review of the international success of European manufacturing industry also reflects the importance of small and medium enterprises (SMEs). SMEs comprise around two-thirds of European employment. Many neglected small businesses operate successfully as secret world leaders or hidden champions in international businesses in various industries. ECRN further highlights that SMEs are often particularly innovative and competitive due to their dynamic and flexible business models.

The last two decades have shown a vast structural change within the chemical industry with a tendency towards the establishment of more SMEs. Numerous large companies have split into several smaller entities. In Germany, for instance, between 1995 and 2011 the number of companies in basic chemical production has increased by more than 50 per cent. Therefore, also in the chemical industry, the special needs and challenges concerning SMEs, require more attention than ever and have to be addressed by European policies.

- ECRN agrees with the Commission that the new industrial policy needs to take into account the **special development needs of SMEs**.
- **The role of European regions** must be highlighted in developing strategies for SMEs. Effective measures can only be developed by leveraging the regional competences.
- ECRN underlines the need to **support value creation, innovation and promotion of the SMEs** and producer-bound enterprises in **chemical parks**. To achieve this, regions should be able to decide independently if they use structural funds to support such enterprises or initiatives.
- ECRN requires a **dialogue with all stakeholders** aiming for tailored tasks based on regional site features and to implement them successfully.
- ECRN considers that in terms of funding for research and development or to identify specific needs for a skilled workforce, **the regional and local level are best prepared for solutions** – in terms of planning, design, implementation, as well as evaluation.

Cooperation of regions as a driver for industrial innovation and regional competitiveness

Especially in the chemical industry, crucial innovation processes often take place in regional clusters involving the industry, universities, research centers and other partners. The ‘triple helix’ partnership among private, knowledge and public actors is vital for fostering innovation and competitiveness.

ECRN members cover a broad range of cluster networks and technology transfer institutions with strategic partnerships all over the world. Experiences from interregional projects such as ChemClust provide examples of how innovation capacities can be strengthened e.g. in clusters, chemical parks, or with open innovation strategies.

- ECRN is willing to **speed up chemical value creation** of its member regions by **supporting cooperation of regional chemical networks** and communicating their achievements at European level.
- ECRN is dedicated to enhancing **interregional collaboration and cooperation across clusters** through its own activities as well as with European projects. ECRN constitutes a common actor and stakeholder for the chemical regions, thereby contributing to the European innovation cooperation.

- The **exchange of experience and collaboration between regions** – such as the pilot projects within the framework of ChemClust (INTERREG IVC project) – provide examples of how regional expertise, innovations and policies can be used as tools for **strengthening local innovation capacities** or providing input to smart specialization strategies. Furthermore, development of knowledge sites or research infrastructures capable of attracting investments from both public and private actors are excellent pre-conditions for further implementation of the Europe 2020 strategy.
- As chemical industry provides key innovations to numerous other sectors, ECRN appreciates a European industrial policy that supports **technology transfer between different industrial sectors** and helps to promote their **joint developments** as European technology systems on global markets.
- Regional innovation networks can be a strong recommendation for Foreign Direct Investment (FDI). ECRN will support any European policy, which helps to **promote Europe as best choice for chemical high-tech investors worldwide**.

ChemClust-project and sharing good practices in INTERREG-projects

ChemClust was an INTERREG IVC project initialized by ECRN members. It brought together regional authorities from seven EU Member States to collaborate for strengthening the competitiveness of European chemicals industry and clusters.

The project (2010-2012) operated through three pilot projects, “Open Innovation”, “Skills Foresight”, and “Chemical Parks as Knowledge Sites”. A benchmark for chemical clusters and a best practice guide for innovative and successful regional policies were set up during the project.

With its deliverables and the exchange of experiences during the project, ChemClust contributed to the targets of an integrated industrial policy. The outcomes also provide input for further discussions.

ECRN will continue to promote exchange of experience to improve the competitiveness of the chemical regions and thus contribute to the improvement of regional policies.

For more information, see the project website: www.chemclust.eu

This position paper has been adopted by the ECRN General Assembly on 25 June 2013.