

EUnited Dinner Debate 2011:

“Keeping European industry at the forefront of competitiveness and innovation”



Key points from the debate

In the sixties, Robert Kennedy referred to the old Chinese curse and added, “Like it or not we live in interesting times”. Well those times have come around again with a vengeance, as we saw from the intriguing EUnited debate held in Brussels at the Biblioth que Solvay on November 8.

Much concern is expressed about Europe’s ability to have an industry that would remain competitive vis-a-vis the emerging economies. Danger signals are flashing for industry representatives also due to the Commission’s proposals to tax CO₂ emissions, as this could reduce competitiveness further and do little to help the global picture. Another cause for unease is the image of engineering which is not luring young people in sufficient numbers to industry or to university.

Then there is the financial crisis, causing not only a scarcity of funds but also a lack of investment. Projects are being put on hold due to uncertainty on the European landscape. With countries such as China quicker on their feet, there was a worry expressed about the European institutions’ ambition and ability to act quickly enough. Other voices, however, welcomed the Commission’s actions while bemoaning member states’ lack of willingness to follow its lead.

As for solutions, hopes are expressed about energy efficiency projects and initiatives (especially SPIRE¹). These could open up new avenues in the PPP² domain. Overall, there is recognition of the need for compromise; partnerships between industry and academia could be fruitful and Europe’s industry had to steer a path between being a “traditional pioneer” (blazing a path towards a green revolution) and a “noble pioneer” (striking out alone against climate change and risking all in the process). A balanced approach is required, and that should be EUnited’s objective in the coming months and years; interesting times indeed.

Scene setting

EUnited’s 2011 *Competitiveness Review* put the spotlight on a subject that is right at the top of many attendees’ agenda: how to keep European industry competitive and innovative in the face of global challenges. This year’s debate was moderated by journalist **Cathy Smith**. On the panel were MEP **Malcolm Harbour**, Paul Wurth CEO **Marc Solvi**, MEP **Gerben-Jan Gerbrandy**, EUnited Robotics Chair **Henrik Schunk** and DG Environment’s **Werner Bosmans**.



¹ Sustainable Process Industry through Resource & Energy Efficiency (SPIRE).

² PPP = Public Private Partnership.

EUnited Vice-President **Markus Asch**, Member of the Management Board of Kärcher, welcomed attendees by stressing the importance of meeting Europe's objectives, both economic and social. He called upon the European institutions in particular to recognize the role of industry as a solution provider, involve industry in decision-making and take bolder steps in partnership with industry to address key societal challenges.

The debate

Industrial competitiveness

Industrial competitiveness was the focus of the debate; EU Robotics Chairman **Henrik Schunk** felt Europe was in good shape in terms of its technological and innovative capabilities, backed by excellent universities and institutes. He admitted though that times were tough in the face of the emerging nations' – and especially China's - rapid growth.



Paul Wurth S.A. CEO **Marc Solvi** was concerned about the state of European industry. He argued that its engineers had been innovating for many years. However, in recent times, the pace of innovation had accelerated globally and this had brought increased competitive pressures. Solvi insisted that innovative methods and processes had to be tested *in situ* otherwise that work would be done away from Europe and its innovative edge would be lost. He made a plea for industrial policy to be at the centre of all future debates on Europe's future.



Solvi argued that steelmakers had done their homework but that if they were now burdened with CO₂ taxes, it would be a potential disaster that could leave Europe without a steel industry. Europe would be in the position of a "noble pioneer", having to import steel from countries like China with the net result being no improvement in the amount of global carbon emissions. Solvi described this as industry "skating on thin ice". Basic industries such as steel, glass, cement demand only to compete on fair terms.

MEP **Malcolm Harbour** had some sympathy with Solvi's reluctance to be a *noble pioneer* in the battle against climate change as he felt it was ridiculous to import steel from countries that were less efficient in their steelmaking. Harbour added that China saw a role for energy saving technologies and that its policymakers could quickly focus on that route, if desired, due to the structure of society.



Lechler's **Jürgen Frick** explained how industry had improved its efficiency (mills now produced 2 ½ times as much steel while consuming 40% less energy). He was against adding a CO₂ tax that would drive the first step of the supply chain (in Aluminium and Cement industries for example) out of Europe. This could be the thin edge of the wedge; the same fate could await the automobile and electronics industries as that which befell textiles in the past. DG Environment's **Werner Bosmans** however

argued that if companies were leaving Europe, it was mainly for reasons other than climate change legislation and moved the debate onto that topic.

Climate change

Bosmans reasoned that a shift of the tax base onto resources would raise competitiveness and productivity, as well as being environmentally-friendly. He saw the next few years as a period of transition. Bosmans felt that targets for reductions in emissions would add credibility and be essential for engineers to work towards. With a world fast approaching nine billion inhabitants, with three billion middle-income earners, there had to be a consultation process to see what was feasible in terms of making progress in resource efficiency.



Solvi argued that it was the global level of CO₂ emissions that had to be reduced and that in Europe, the theoretical limits (of reduction) had already been reached. Objectives could be set but they might be impossible to reach. That meant convincing the BRICS to become efficient – that was a more practical approach. Bosmans, however, insisted that climate change was coming and we had to be prepared; China could change their policies almost overnight and Europe risked being left behind.

The European institutions and member states

Ensuring that this did not happen was a job for Europe's leaders and to an extent, the European institutions. Here, Harbour felt that while the relevant Commissioners were sensitive about the problems facing the key industrial sectors, he was not sure if all member states were sufficiently focused. He wanted the work being done in the Commission to be used to galvanise member states into more coordinated action. Harbour added that the single market was under-performing and that it should be a "reliable effective simple machine" that enabled industry to access all markets. MEP **Gerben-Jan Gerbrandy** argued that the road map showed some disagreement within the Commission; with tentative steps being taken towards legislation, he felt that it could be more ambitious in its plans. Solvi reasoned that they were trying to cooperate with policymakers but he found the current process to be extremely laborious at a time when quick decisions were required.



An image problem

It was acknowledged that the future was dependent on Europe's young people; many of them, however, were turning their backs on engineering and the related industries. Despite European robotics having a 30% market share, Schunk said there was a major struggle to find sufficient engineers. That could be compared to 10,000 new engineering graduates each year in China. Commenting on the image problem, Asch said it was totally wrong for bankers to be earning 10 times the salary of engineers; engineering jobs had to be valued. So he called for the right environment for engineers to flourish and that required a more positive appreciation of the role of industry in society.

Harbour used Google as an example where innovative solutions were being developed by engineers and that this would appeal to young people, i.e. make engineering sexy. The problem was getting that message across to university candidates. Harbour stressed that quality universities were indispensable and that researchers needed the “space and scope to innovate”, but that Europe tended to be risk averse. He felt it was a governmental responsibility to promote science and technology, adding that the financial crisis might make people turn back to engineering/manufacturing to increase their job prospects.

The financial crisis

That financial crisis was gripping Europe’s media and the markets with the result that funding for projects was scarce; the IFO Institute for Economic Research at the University of Munich’s **Hans-Guenter Vieweg** explained that although public schemes that are dedicated to reducing CO2 emissions are effective with regard to the target ‘CO2 avoidance’, we can strengthen the schemes by applying the criterion ‘CO2 avoidance costs’. This would make funding not only effective but also efficient with regard to scarce means available. If EU policies gave more weight to economic guided decisions, this would give priority to climate protection technologies and help us achieve much higher CO2 avoidance.

Harbour agreed that funds were limited but added that in the UK, industry was not confident enough to borrow and invest – i.e. the financial crisis was having an impact. Turning the question around, Harbour argued that if industry had projects using new technology (to save Co2) that would show payback within a year, then there would be no shortage of people willing to provide funding.

Solutions, solutions

Such projects were on Bosmans’ mind and he argued that industry was a key player as all companies wanted to be efficient. He quoted a new report from McKinsey that suggested potential energy efficiency savings of €3.5 trillion.

Referring to the massive increases in energy costs (e.g. Unilever €2.5 billion) Gerbrandy said it was urgent for everyone to be more efficient in their use of resources. He wanted a “global green industry revolution” driven by scarcity of resources, climate change and pressure from consumers. If this did not happen, Gerbrandy felt that emerging markets would become the sustainable champions at the expense of European industry.



Bertrand de Lamberterie, Secretary-General of the European Steel Technology Platform (ESTP) from the audience, introduced an industry led initiative called (SPIRE): a Public Private Partnership (PPP) that would focus on energy efficiency (within the production of materials) and non-energy resource efficiency (e.g. materials, water, waste). SPIRE involves developing supply-chain innovations in a wide range of materials and processes (in steel, chemicals, industrial minerals, aluminium, glass, paper and others), involving high-tech SMEs, large corporations, research and academia; De Lamberterie argued that this is a powerful lever to exploit existing know-how and develop innovations that will deliver global resource gains and improve CO₂ efficiency.

Bosmans welcomed the approach as if it was good for industry and for Europe. Gerbrandy also thought SPIRE³ was excellent as it brought economy and ecology hand-in-hand. Agreeing with Bosmans, he wanted action on CO₂ emissions and he reminded attendees that not all of the proposed policies threatened industry. Gerbrandy was also concerned about the “resource crunch” in that labour productivity gains had been achieved but material productivity had not kept pace. His answer was to improve (material) resource efficiency as the BRICS were more competitive on labour costs.

Dr. Michelle Wyart-Remy said that while there was no scarcity of minerals, there were constraints. She reasoned that it was important to address the right target: ecological efficiency. This meant opportunities for more wind turbines, new solutions and retro technology; more materials would be required – overall, there should be a holistic approach. As for the need for innovative projects, Harbour thought that the Horizon 2020⁴ initiative was a good example. It was not all harmony however as, with a nod in the direction of SPIRE, Solvi said that if industry had the right people, there would be “no need for 100 PPPs.”



The need to work together

Schunk wanted industry and the European institutions to work closely together, combined with a thrust to get academia more involved. Gerbrandy said everyone was “in the same boat”, so there had to be consensus, industry had to have its say and it could not be left to politicians to set policies and standards. It was time to put pressure on other big players (China, India, etc.) to take action. Gerbrandy did not rule out such initiatives as a (European) border CO₂ tax and he was willing to listen to ideas about innovative approaches.



From the floor, **Anthony Tropeano**, CEO Fata Hunter, reminded the panellists that EUnited could serve for industry to interact with policymakers. But he argued that 95% of business was conducted with customers outside of Europe so policies had to be more outward looking. Funding can be the catalyst to turn the stream of ideas into hardware such as innovative plants. Schunk felt that the Commission’s forthcoming FP8 programme should bolster testing and pilot projects, and thus equip Europe to take innovative ideas from research into the real world. Gerbrandy however argued that it was not the role of governments to fund industry and moreover it was the banking sector that was not taking the necessary actions. Tropeano agreed but he wanted a comprehensive approach involving timely innovation and research, as well as financing solutions, otherwise, by 2020, European industry would be dead.

³ Sustainable Process Industry through Resource and Energy Efficiency (SPIRE) has the objective of developing the enabling technologies and solutions along the value chain that are required to reach long-term sustainability for Europe in terms of global competitiveness, ecology and employment. (<http://www.eunited.net/cms/upload/SPIRE - Sustainable Process Industry October 2011.pdf>).

⁴ Euro-Mediterranean governments aim to tackle the top sources of Mediterranean pollution by the year 2020 through the Horizon 2020 initiative (http://ec.europa.eu/environment/enlarg/med/horizon_2020_en.htm).

Further conclusions

Harbour saw a dilemma in that while no one wanted industry to be driven out of Europe, there was a need for Europe to be a leader in energy resource saving. Bosmans totally agreed with that but added that something had to be done in terms of carbon emissions; for him, the winners would be those investing in resource efficiency. Schunk wanted a compromise between economic and ecological solutions; otherwise pressure would increase in Europe, with the risks of jobs being lost (to cheaper producers elsewhere).

Several panellists stressed the importance of people. Solvi argued that with the right people in place in the industry, Europe's future would be secure. Harbour emphasised partnerships between universities and industry, while Schunk felt innovation was the key together with "young talented engineers"; they should be left to do it their way. Even so, Solvi regretted engineering's poor image and wanted action to be taken there. Gerbrandy demanded a greater sense of urgency about the need for a sustainable society; many companies were lagging behind as not all were as proactive as EUnited members.

Wrapping up

Asch offered some final words, arguing that industry was at the cross-roads. He referred back to the choices offered by the panel: to be a pioneer in the traditional sense (moving towards a green revolution) or to be a "noble pioneer" (losing competitiveness vis-avis the BRICS). Asch insisted industry is committed and indispensable as a solution provider,



meeting its responsibilities to society as a whole. That means a model for future generations comprising not only technological or industrial solutions, but also helping employment and improving resource and energy management. Asch ended by stating that "together we can do it!"

