

# EUnited Competitiveness Review

## Dinner Debate 2014:

### Visions of the future for manufacturing based on a changing economic world order; how can European machinery and equipment manufacturers respond?

#### Key points from the debate

'Change' was the key word at EUnited's 2014 Competitiveness Review debate. On one side was Europe, seen as "fragmented" by EUnited President **Markus Asch** and in **Tomasz Husak's** words, a place where taboos had to be broken and new partnerships forged, and on the other, India, where **Shishir Kumar Bajoria** said the symbol of the country's new programme for growth was a tiger, not an elephant.



There were lessons to be learned. As Europe was India's biggest trading partner, Bajoria stressed the advantages of the country now having a single-party government that was backing a *Make In India* programme that would bring business opportunities across the board. Bajoria also looked ahead to a time when the EU-India Free Trade Agreement (FTA) would further increase business between the partners.

One of the key actions prioritised by Prime Minister **Narendra Modi** was to cut red-tape, i.e. to reduce regulation and repeal ancient and antiquated laws. Husak saw a similar need within the EU – too much regulation and a lack of standards - as he bemoaned the lack of cross-border trade. While "divisions and bottlenecks had to be reduced", innovation was seen as the key to a brighter future within Europe; this implied a massive retraining programme as there was currently millions of people out of work and millions of job vacancies.

There were many positive messages from the debate with Husak saying the European Commission saw industry as being vital to future growth and that it wanted to listen to manufacturing's needs while India was intending to make it easier to invest in what was potentially a "huge market" and a real driver for growth.

Both India and the EU seemed to be set on similar roadmaps. India's *Make In India* programme aimed to bring together industry and government while the EU's €300 billion Investment Programme had the objective of kick-starting growth, heavily backed by the private sector.

## Setting the scene in Brussels

Addressing the audience at the Bibliothèque Solvay, in the heart of the ‘European’ district, EUnited President **Markus Asch** reasoned that the debates had become a Brussels institution. Observing that they covered topics that both drove and reshaped Europe’s industrial policy, Asch argued that a ‘changing world order’ implied not only economic changes, but also political and technological ones. It was simple; the future would depend on how European industry responded to the challenge.



The speakers at EUnited’s *Competitiveness Review Dinner Debate 2014* were **Shishir Kumar Bajoria**, Executive Chairman, IFGL Refractories and Director, IFGL Exports Limited, and **Dr. Tomasz Husak**, Head of Cabinet European Commission – Internal Market, Industry, Entrepreneurship and SMEs.

Moderator **Cathy Smith** opened the debate by going straight to the point. Noting that European Commission President **Jean-Claude Juncker** had said this was a last chance for Europe and that investment funds of some €300 billion<sup>1</sup> were said to be available, Smith wanted to know “what would be different this time?” Husak was first up to the podium to answer that particular question.

## Keynote addresses

### **Tomasz Husak**



Husak opened his remarks by referring to the European Commission’s “huge agenda for change” with innovation as a key driver. Describing Europe’s new geopolitical situation and touching on the situation in Ukraine, Husak took energy as an example where something had to change. If Europe was to be independent in that regard, a new industrial policy was required. This led Husak to the European Commission’s plans for 2015, where he focused on three areas:

**Market access:** Noting that ongoing discussions concerning the TTIP<sup>2</sup> were intended to broaden markets, Husak said taboos had to be broken and new partnerships forged. In international markets such as Japan and India, he highlighted the importance of reciprocity. Closer to home, Husak bemoaned the fact that within the EU itself, only 3% of trade was cross-border. There was too much regulation and a lack of standards.

**The importance of people:** Husak described a Europe with five million people unemployed and two million existing vacancies. The conclusion was obvious: there had to be a more focused

<sup>1</sup> Exactly one week after the debate, European Commission president Jean-Claude Juncker announced **the Investment Plan** in Strasbourg. He said the aim was to kick-start growth without adding to public debt.

<sup>2</sup> TTIP – the **Transatlantic Trade and Investment Partnership** - <http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/>

education program, retraining on an industrial scale and a 'skills for life' programme across Europe.

**Innovation:** Looking forward to the next decade or so, Husak wanted the manufacturing sector (and others) to build upon traditional industries by introducing more innovative services. Linking innovation to the mismatch between existing skills and job vacancies, Husak admitted there was much work to be done<sup>3</sup>.

Focusing on the **Single Market**, Husak said legal and regulatory barriers had to be removed so that it could function as planned. One way of improving the situation would be to revise the Small Business Act<sup>4</sup> so that new businesses could be opened in 30 days at a cost of €100. Husak wanted industry to be streamlined and insisted that industrial policy had to be on member states' agendas. Insisting that "industry could help in the production of healthy European economies", Husak reasoned that there were "huge challenges ahead."

### **Shishir Kumar Bajoria**

Stepping up to the microphone, Bajoria opened by confirming his commitment to industry; for him, "services were there to support industry". Seeing the EU's growth programme as an orchestra, Bajoria said industry was the conductor while services were perhaps the string section.

Turning to India, the world's largest democracy<sup>5</sup>, Bajoria said it had recently undergone a period of huge change. After some 30 years of coalition governments, India now had a single party in charge; one that appealed to youth<sup>6</sup>. Bajoria said newly-elected Prime Minister **Narendra Modi** had "hit the ground running" and was already implementing his party's blueprint. The situation was not straightforward as Bajoria argued that in a country such as India, a GDP growth rate of 5% was insufficient and would lead to no change at all. However, as inflation was dropping and growth was on an upward trend; there was "a feeling of hope."



Referring to the launch of the *Make In India*<sup>7</sup> programme, Bajoria underlined the Prime Minister's desire to reduce regulation. If foreign investors were to be attracted to India, ancient laws had to be repealed. As for the benefits for those investors, Bajoria highlighted the dedicated and talented I.T. professionals in India and reasoned that with a low cost

<sup>3</sup> The **EU Skills Panorama** site (<http://euskillspace.cedefop.europa.eu/>) has information on trends for skills and jobs across Europe.

<sup>4</sup> The **Small Business Act for Europe** ([http://ec.europa.eu/enterprise/policies/sme/small-business-act/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm)) was initially adopted in 2009 to reflect the European Commission's will to recognise the central role of SMEs in the EU economy.

<sup>5</sup> India has an **electoral population greater than that of the whole of Europe** - <http://www.euronews.com/2014/04/04/india-worlds-largest-democracy-gears-up-for-national-elections/>

<sup>6</sup> **A young country:** Approximately 65% of India's population are below the age of 35. In the 2014 election, an estimated 150 million people between the ages of 18-23 were eligible to vote for the first time.

<sup>7</sup> The **Make In India** programme launched in August, 2014, "includes major new initiatives designed to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure."

manufacturing base, foreign investment could lead to millions of people being brought out of poverty to form a new customer base.

## The debate

### The European investment package and the roadmap 2014



**Cathy Smith** kicked off the debate by asking Husak for more details of the €300 billion investment package that the European Commission had called for in July<sup>8</sup>. Husak said the main idea was to introduce financing for investments in various sectors including the manufacturing industry. Arguing that Europe was becoming a 1% economy (1% growth, 1% inflation) he saw the necessity to streamline the available funding so that it was targeted at those projects that would deliver concrete results.

**Roland-Jan Meijer**, San Antonio Communications, asked if it was correct that the ‘circular economy’<sup>9</sup> policy that had been proposed by the European Commission would be included in the final roadmap. If so, he felt this would stop Europe becoming a cleaner and more competitive economy. Husak, however, said it was too early to say if any proposals that were currently in the 2015 roadmap would be dropped.



### EU-India relationships and the Make In India programme



EUUnited’s **Thilo Brodtmann** wanted to know when India would finalise the Free Trade Agreement (FTA)<sup>10</sup> with the EU and if some items (unspecified) would be taken off the exclusion list. Referring back to the *Make In India* programme, Bajoria concluded that neither side was pushing hard enough to finalise the negotiations.

Husak agreed that all such discussions were difficult and reasoned that reciprocity would be a key element of such deliberations. There were differences in the European and Indian markets and he insisted that more “political will” was needed in order for negotiations to succeed.

When Smith asked why Prime Minister Modi had not yet visited Europe, Bajoria explained that he had given priority to India’s neighbours and that, using a cricketing term, this had influenced the *batting order*<sup>11</sup>: Pakistan, Japan, China, Australia, Fiji and Myanmar had all received visits

<sup>8</sup> A call for a €300 billion investment programme: <http://www.reuters.com/article/2014/07/15/eu-commission-juncker-idUSB5N0N102R20140715>

<sup>9</sup> One of the European Commission’s proposals is to adopt a ‘circular economy’ whereby it would be a policy to re-use, repair, refurbish and recycle existing materials and products. Waste would be turned into a resource – see <http://ec.europa.eu/environment/circular-economy/>

<sup>10</sup> The ‘stalled’ EU-India FTA negotiations were launched in 2007, see <http://ec.europa.eu/trade/policy/countries-and-regions/countries/india/> for details.

<sup>11</sup> **India is one of the world’s leading cricketing nations.** In the game of cricket, each side has 11 players and they all have an opportunity to bat, i.e. to try to score runs (points) against the opposition. **The order in which the players have the opportunity to score points is known as the ‘batting order’**, i.e. the 11 names are listed in sequence. See [http://en.wikipedia.org/wiki/Batting\\_order\\_%28cricket%29](http://en.wikipedia.org/wiki/Batting_order_%28cricket%29) for more thoughts on the ‘batting order’.

and there had been an opportunity to have talks with the USA. Bajoria added that Europe was “the source of technology”, hinting that it would perhaps be the next partner to receive a visit.

### Europe working in India

- Siemens built plant for Steel Authority of India (2008)
- Second plant ordered for National Mining and Development Corporation (NMDC – 2012)
  - Basic engineering in Linz, Austria
  - Detailed engineering “on the spot” in India
  - Local contractors supervised by Siemens Ltd. India (SLI)
  - Workshops in Linz on standardisation and automation
- End result: “state-of-the-art facility” built to latest regulations concerning machine and plant safety.

Turning to climate change, Smith asked what India was doing in that regard. On that subject, Bajoria reasoned that the country could not be expected to stop everything (that might have an adverse impact on climate change). He preferred to look at the positive aspects of India’s rapid growth; Bajoria saw business opportunities, such as the need to clean up the Ganges and other major rivers. Such actions would positively impact the environment.

On the *Make In India* programme in general, Bajoria insisted that there were many business opportunities as its aim was to meet India’s national requirements in total. It was a massive opportunity.

### Europe’s re-industrialisation

Back in July, Juncker had said that there was a need for a “re-industrialisation of Europe”. Picking up on that remark, **Markus Asch** wanted to hear how this could happen given that Europe was fragmented, certainly compared to a country like China – a single-party state.

Husak argued that Europe needed to overcome its divisions and that bottlenecks had to be reduced, e.g. in energy and procurement policies. Smith wanted to know how the EU saw the split between services and manufacturing. Husak insisted that Europe was supporting industry. The policy was not to become a service economy and, indeed, there were many industries where links existed – and could be strengthened – between manufacturing and its related services.

### A new economic world order



How then, asked Smith, did the speakers see their respective places in the new economic world order. Husak was blunt. Stating that Europe could not afford to build another strategy that would fail, he said the European Commission had to listen to the needs of manufacturing. Husak wanted a competitive Europe that brought together manufacturing and services, backed by the continent’s proven ability to innovate.

Acknowledging that Europe was India’s largest trading partner, Bajoria forecast that the proposed FTA would increase trade by “leaps and bounds”. With a positive nod to the sometimes embattled euro, he stated that it had the potential to be a

“balancing currency”. Bajoria concluded that a strong euro could put the US economy under pressure – it was a key to future prosperity in Europe.

## **To sum up**

Asch brought the debate to a close by welcoming Husak’s “refreshing approach” and his willingness to listen to manufacturing’s needs. As for India, Asch had been pleased to hear that excessive bureaucracy was being tackled as the country was potentially a “huge market” and a real driver for growth.



Looking ahead, Asch said industry was central to Europe’s economy. The 20% GDP target, if met, would be a real boost to growth and employment. However, there was a need to develop a “culture of entrepreneurship” in Europe. Agreeing with Husak, Asch said differences (between member states) had to be overcome and this implied the removal of political barriers.



Comparing India and Europe, Asch saw a single market on one side and a ‘work-in-progress’ on the other. Within the EU, companies were free to sell but were hindered by different rules and different languages. He ended on a positive note, however, saying that if European manufacturing had the necessary business environment, it could do the job. If it had tasks to complete, it had the solutions. The message to Europe’s politicians was clear.

**SAVE THE DATE**  
**EUnited General Assembly and Dinner Debate**  
**Wednesday 25 November 2015**