

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 150 final

Brussels, 16th March 1983

COMMUNITY INDUSTRIAL STRATEGY

(Commission communication to European Council,
21/22 March 1983)

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1. Discussion of matters arising in connection with a Community industrial strategy is complicated by the fact that it is not agreed—indeed sometimes not clear—what that policy's aims are. A first prerequisite is to dispel this uncertainty.
2. The Community dimension is nowadays called in when harsh facts dictate the orderly contraction of sectors in structural decline.

How is a genuine Community contribution also to be made to the process of positive adjustment of Community industry? The purpose in mounting a Community strategy is to provide practical answers to this question.

3. Two preliminary points:
 - (i) even in the so-called growth sectors the industrial trend in the Community overall and the Member States individually is distinctly less favourable than in the case of its Japanese and American competitors;
 - (ii) in the absence of an alternative, continuing rundown of European industry's productive capacity increases the risk of national action.

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4. Expanding European productive capacity could, the Commission considers, be a Community action priority if it is simultaneously accepted that this must be done in accordance with the requirements of world competitiveness.

5. The moves to achieve a unified market, to reactivate productive investment, to promote research and innovation, and the energy strategy, though essential, have not so far succeeded in reversing the process of decline.

Industrial measures today are primarily planned and carried out nationally, not dovetailed into a Community context. They are leading to dangerous compartmentation of the markets, and impeding the consolidation of the Community.

The industrial strategy is directed to

- (i) discouraging individual or sectoral measures not integrated into a macro-economic framework;
- (ii) endorsing measures, failure to take which would jeopardize a sector's development.

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6. It is worth noting that twelve major European companies in competition, and desirous of remaining in competition, on the European market have told us, in connection with the Esprit programme,

"Information Technology is now a critical factor in virtually every sector of the European Economy. In particular it acts as the activator and amplifier for all industries and services and provides the crucial infrastructure of modern industrial nations. Moreover, as some of the traditional industries decline, IT offers the best, if not the only, prospect of their replacement. Indeed withdrawal from participation in the development of Information Technology is tantamount to renouncement from being a modern industrial nation. Yet against this background of strategic importance, the position of European Industry in this field is depressing if not exactly disastrous. The figures of market share, i.e. European Industry only commanding 10% of the world market and less than 40% of its own indigenous market, make stark reading. Not only is the situation in itself of great concern, but the low market share means that the volume of sales and profit is inadequate to provide the essential investment needed to safeguard the future. Even worse, all the indications are that the situation is deteriorating rather than improving.

"The situation is not a new one but has been developing over a period of years, and many attempts have been made to reverse the trend. Unless a cooperative industrial programme of sufficient magnitude can be mounted, most if not all of the current IT industry could disappear in a few years' time."

7. Where projects have to be selected, the following principles should be observed.

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(a) To avoid dispute over the principle of action by the authorities (Community or national), it would be well to go first for fields where they already play a part, regulating (standards), providing assistance (research grants, investment aid, &c.) and ordering (public contracts).

(b) Stimulating expansion: as concerns information technology and telecommunications the economies of scale essential to achieve world competitiveness will be achieved only if industrialists have access to the Community market.

(c) Ascertaining the impact of certain policies industrially:

- . What, for instance, is the impact of the common agricultural policy on the location of certain agri-food industries?
- . Does our space policy, with the European Space Agency in overall charge, take sufficient account of the claims on States in such matters as aid for the developing countries, environmental conservation and telecommunications?
- . A like assessment will need to be made of our positions on energy, research and innovation.

(d) Seeing to it that funds are more efficiently used—the object is not to increase overall Budget spending: on the contrary, elimination of the extra expense caused by dispersion of effort and duplication could serve to reduce the need for public funding.

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8. Between March and June the Commission will be working out, with due regard for the various considerations and constraints here set out, practical measures and guidelines on information technology, telecommunications and biotechnology.

9. Unless competitive Community productive activity increases it will hardly be possible to deal with the distressing problems of employment. This point is noted for the sake of completeness: there will of course be further Commission communications on the subject.

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European Council guidelines would be particularly welcome to help ensure that the Council continues devoting itself to a debate so vital to the future of industry in Europe. In the light of that debate and of the Commission's new proposals the June session of the European Council might determine whether the suggested strategy is calculated to meet the challenge to the Community.