



CEEMETⁱ COMMENTS ON COMMISSION PRESIDENT JUNCKER'S PLANNED €300BN INVESTMENT PACKAGE TO SUPPORT ACHIEVING THE NEW COMMISSION PRIORITIES FOR JOBS, INVESTMENT AND GROWTH.

The metal and technology-based sectors represented by CEEMET will be key to strengthening Europe's competitiveness. There is now a consensus that Europe needs a new model of growth, with a more sustainable balance between consumption and industrial production. This better balanced and lasting growth must be underpinned by industry and will rely on innovation, trade and, crucially, investment which cannot any longer be based on increasing debt.

The importance of the European metal and technology sector in future investment

Investments in plant and machinery, innovation and skills are vital to achieving a more balanced and competitive European economy. There is

widespread agreement that the metal and technology sector will be critical in Europe's future global competitivenessⁱⁱ. Businesses will need to invest and Europe can support and encourage them to do so to achieve this. This investment must be tangible, in the form of finance, but also structural, creating the environment where businesses have the long-term certainty to invest in Europe. To achieve this, Europe needs stable and predictable regulation, dynamic labour markets with highly skilled people and an infrastructure system that facilitates innovation and international trade.ⁱⁱⁱ

The current situation

Following the deepest recession in recent history, Europe is slowly emerging from a period of crisis management to one where it can regain the ground lost to its global competitors. With more than 6 million people losing their jobs and youth unemployment at record levels, several member states are still far short of seeing sustainable growth based on adequate levels of investment. This period has left Europe insufficiently prepared to meet the challenges of global competition, and behind the curve in the race for global skills. Recent years spent responding to the financial crisis, preserving the Euro and the integrity of the single market meant focus was lost on longer term challenges including the security and cost of energy supplies and skills mismatches.

Improving Europe's competitiveness, stimulating the creation of high-quality jobs and achieving sustainable growth all require a new approach to industrial investment. Commission President Juncker's vision for up to €300 billion in additional private and public sector investment is ambitious, but the consequences of falling short are likely to cost Europe more in the long term. Europe will have to solve some potential policy contradictions to achieve this, as greater banking regulation may reduce the supply of finance for SMEs even further. It could increase the cost of finance or lead to businesses hoarding cash. **But clearly, investment from the public sector must be used to lever greater private sector investment and it**



must produce a measurable gain in doing so. It must be long term and risk-based but not risk-free. It should be well-targeted and provide business certainty through clear business planning. It must be one of a number of levers used to restore business certainty and elevate Europe to be the global investment destination of choice. To do this, Europe must relentlessly focus upon a better approach to regulation, with ever more dynamic labour markets and a deeper dialogue with industry.

Improving the investment environment – the priorities for investment

Past investment at EU level has too often been characterised by high levels of red-tape, insufficient focus on outcomes, short-termism and business uncertainty and, as a result, inaccessibility for many SMEs, particularly those engaged in public sector projects EU level. Investment must be targeted at initiatives which can prosper at an EU level, and leave to member states, regions and businesses the decisions of what, where and how to invest. This inevitably means that EU level investment will be larger scale and in areas of macro-economic importance, such as infrastructure, transport, skills and innovation.

Key to successful EU level investment decisions will be a clear definition of the outcomes needed. Jobs, growth and improved competitiveness have been highlighted and below we set out how increased investment can achieve these in a sustainable, long-lasting and long-term manner.

The need for a functional single digital market – promoting international trade.

National digital barriers, from mobile telephone networks to copyright and data protection, continue to stifle trade and innovation. Europe's global competitors have the advantage of better communication platforms with less, or frequently no, international barriers. Broadband networks in Europe are a real brake on growth and increase business costs, eroding competitiveness. Supra-national improvements at EU level are needed to help create a fast, accessible digital network which can operate as Europe's competitors currently can – without borders and at speed. This will require both increased and reduced regulation in equal measure, and substantial capital investment in

parts of Europe where the digital economy remains only a vision. It will also require a bold Commission President to take on the vested interests of those who currently benefit from the fragmented networks which Europe's businesses currently work with.

Promoting a culture of innovation and entrepreneurship in Europe.

Innovation must be a central plank upon which Europe's future competitiveness and growth will be built. It will contribute to creating dynamic environments for start-ups and company level expansion. For Europe to successfully innovate, it must invest more heavily in R&D as a proportion of its output. EU level support for innovation must increase and be re-balanced to enable industry to successfully commercialise technology. Frequently, businesses struggle converting early-stage research into commercial products and services that can generate a return on investment. SMEs in particular face hurdles in accessing the finance needed on realistic terms to enable them to support their innovation. Europe must re-focus its investment plans, increasing overall support for innovation, accepting greater risk taking, and boosting funding for mid to late-stage research. In particular there must be a greater focus on SMEs, with the aim that they should increase the number new products being brought to market, particularly those based on new and emerging technologies, such as those seen in the generation of clean energy. Hand in hand with this, Europe must contribute to a more competitive environment, by reducing the set-up barriers faced by entrepreneurs, the over-regulation of labour markets and reducing the frequently high tax wedge.

Access to skills

The metal and technology-industry sector relies heavily upon access to workers with ever higher levels of skills, who are internationally competitive and who are flexible. Industrial growth cannot become a reality without these workers. The creation of the sustainable, high-quality jobs which all actors want to see, particularly amongst younger workers, will depend on what skills are required by industry, and whether national



Governments can provide the right skills infrastructure to provide these skills not only today, but far into the future. The global race for higher skilled and more agile workers is one where there are no prizes for second place. Skills shortages, particularly in STEM disciplines are already being seen in some member states, with others having greater numbers of engineers than are currently needed. Skills mismatches need to be addressed.

At EU level, investment needs to focus on the future needs of industry, on what jobs will be

ⁱ CEEMET is the European employer organisation for the metal, engineering and technology-based industries. Our sector coverage ranges from automotive to aerospace, from machine tooling to medical instruments and everything in between. Through its member organisations in 23 countries CEEMET represents more than 200,000 companies. Our sector is an economic and employment hub for Europe with **around 3 trillion Euros in turnover and 35 million jobs dependent on the sector**, responsible for over 50% of total spending in R&D.

required by future technological change and how Europe can remain internationally competitive in order to meet these demands. A balanced approach between academic and vocational training is needed, with employers themselves defining the future skills that will be needed.

ⁱⁱ The importance of the sector is described in CEEMET's campaign, "Manufacturing at Heart", <http://manufacturingatheart.eu/>

ⁱⁱⁱ CEEMET's detailed recommendations for balancing industrial competitiveness with the demands of a social Europe are set out in its recent publication, "Industrial Competitiveness for a Social Europe", <http://www.ceemet.org/news/industrial-competitiveness-social-europe>

