

Industrial Renaissance

The Role of Europe, the Contribution of Italy

Speech of President Fabio Storchi

1. Introduction

Since the beginning of the crisis seven years ago, in Europe, particularly in the Eurozone, we have not experienced a recovery of the economy.

According to the International Monetary Fund's estimates, the GDP, after negative results in 2013 (-0.5%), is expected to reach a modest +0.8% in 2014 followed by +1.2% in 2015.

Unemployment is at a very high level, 9.9% for the EU and 21.4% (23.0% in the Euro Area) for young people. The threat of deflation is still present, while economic differences among the EU countries are growing.

A change in European economic policy is needed, aiming to move from restrictive fiscal policies to a mix of monetary and fiscal structural measures, in order to boost growth, employment, internal demand and consumption.

It is crucial now to focus the European political agenda on competitiveness of the industrial system through targeted and coordinated actions among the different EU Institutions and Member States. **Without industry, in fact, there will be no jobs, no GDP growth, no well-being, no revenue nor development.**

The decisions taken by the European Central Bank last January 22 regarding “Quantitative easing” is a good sign in the right direction.

The EU must reverse industrial decline started in the 90s. This process has been accelerated by the crisis, leading to 15.1% of GDP related to manufacturing and more than 3.5 million jobs lost in the industry.

In Italy the Metalworking Sector lost 33% of output, 25 of manufacturing capacity and more than 220.000 jobs.

In the last decade, investment in Europe fell by 350 billion, halving our global share from 40% to 20%. The manufacturing center of gravity has shifted to developing countries; China is now close to overtaking the EU.

This decline is hitting economy. In fact, 70% of innovation and export come from industry and each job in manufacturing creates up to two and even more jobs in services. It is for this reason that strong industrial countries have better withstood the crisis.

In Italy and in Europe, the best manufacturing companies have reacted to the crisis with their strategies in terms of innovation, quality, creativity, green economy, exports and new markets conquest, environmental and social sustainability. They have shown that the new Industry is capable of creating wealth, jobs and balanced development.

Many steps have been taken during these years in this direction recognizing that **industry, especially manufacturing, represents the principal and irreplaceable motor of the real economy.**

The attention given by EU Council to the specific issue of “**Mainstreaming of Industrial Competitiveness**” is undoubtedly an important step in order to reaffirm the centrality of industry strategies to support growth and to provide the basis for a **new Industrial Governance aiming to increase competitiveness.**

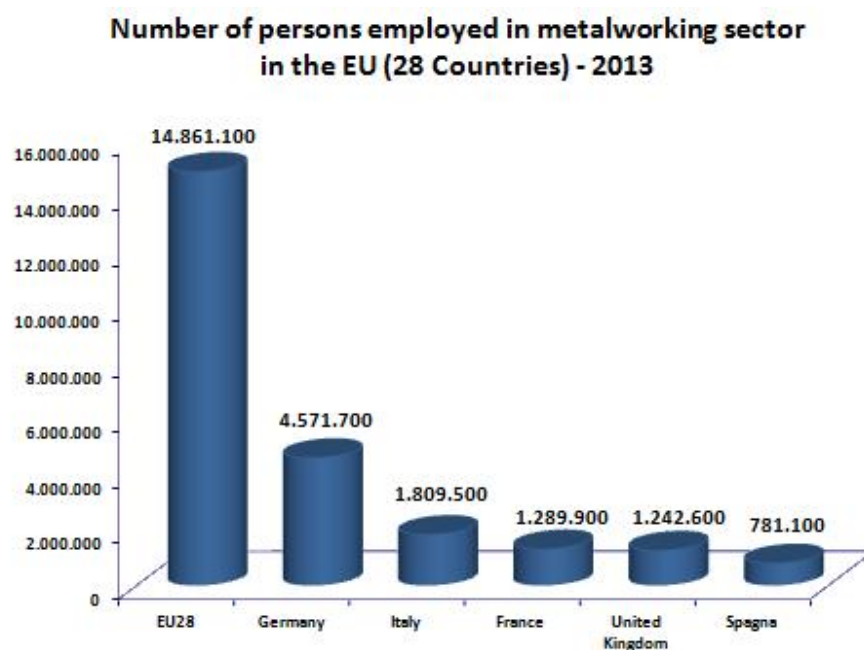
2. The Metal-working Industry, motor of Europe

The metal-working sector is the core of industry representing the most relevant sector among all of the manufacturing branches. This is also due to the high degree of innovation which, through its products, is spread to the entire economy.

Italian metalworking industry output was 400 billion euro in 2014, with 190 billion exports and 65 billion of trade balance surplus.

It represents 45.9% of the entire added value produced by the manufacturing Sector and 43.9% of the employment.

Italy is the second best EU Country in terms of number of employees -1 million and 800 thousand -right after Germany.



SOURCE: Processing on Eurostat data

Growth, Competitiveness and Investments: an Industrial Policy for Europe

The new President of the European Commission, Jean-Claude Juncker, has clearly indicated that the re-launching of growth, the strengthening of European competitiveness and the promotion of investments aimed to the creation of employment will be the first priority of the new Commission.

On January 13, 2015 the legislative proposal on **the European Fund for Strategic Investments (EFSI)** was presented. Its aim is to mobilize at least 315 billion euros in private and public investments across the European Union over the next three years to support strategic investments.

It is now essential to make the Fund operational by June 2015 and boost new investments, in particular, in those strategic sectors such as energy, transportation infrastructures, R&D and digitalization, and risk financing for SMEs.

As a necessary complement to the Investment Plan, a strong action is required both at the EU and national level, in order to remove further regulatory and administrative barriers. We look forward to the definition of an ambitious **roadmap, that can help Europe to stimulate investments**, removing regulatory bottlenecks.

In this sense, we really hope that the Commission will also include the **roadmap of industrial policy** in its future initiatives.

The role of the EU Institutions will be crucial in promoting and sustaining also technological innovation as the motor of the new industrial revolution through the so-called **Industry 4.0**. “Internet of things” is changing business and employment. The virtual world will merge with the real world through the integration of information technology and automation into production processes.

It is necessary to share experiences already undertaken in some countries, like Germany, and to do investments targeted to the integration between digital technology and production, so to give a strong kick-start to the diffusion of new generation “smart factories” and, consequently, to the competitiveness of the European System and single countries.

In order to promote Growth and Employment it is also of great importance that European Enterprises can strengthen their international leadership position in the Global Market.

Concretely the EU must integrate its political actions on the international political scene with a clear and target agenda in the economic and commercial fields.

A great sense of responsibility is also necessary in order to manage the international crisis, for example, the Russian-Ukraine conflict. Great diplomatic efforts are needed to overcome such serious “turbulence” not only from a social perspective, but even considering the economic impacts.

Particular attention should also be given to SMEs, a key factor that represent over 90% of our Industry. The revision of the Small Business Act (SBA) must aim towards a fundamental objective: supporting growth through the creation of greater and new opportunities for the European SMEs

From this point of view, the SBA must aim **at strengthening its capacity of innovation** extending the **concept of innovation in a broad sense**, in order to include all its manifold aspects.

3. Innovation and human capital

In our vision people come first. People are the most important asset of the entire Industry.

In the knowledge economy we must put in place all the actions to leverage this competitiveness factor from education to a more inclusive and efficient labor market.

Human capital **is one of the factors that the Europe 2020 Strategy highlighted as essential for growth and innovation**, as underlined also in the previous Lisbon Strategy.

It's necessary to promote and implement specific human capital programs covering the entire cycle of education and training.

The high rates of unemployment among young NEET people (Not in Education, Employment or Training) are showing an apparent contradiction: **the difficulty that companies face in finding employees with suitable skills and competences.**

This phenomenon is the result of the lack of alignment between the competences coming from the scholastic and training system and the opportunities generated by industry.

It's therefore necessary to increase the number of educational and training courses in school work alternance, the dual system already adopted by several European countries. This system must not be reduced only to experiences of internships and apprenticeships, but made by a true and real combination of school programs with on-the-job training, designed together by companies and schools.

Lastly the Labor Market.

A lot has been done but we still need to make a step ahead. We need to increase flexibility while improving employability with active programs.

We will continue to do our part investing in people and in their professional growth.

We do believe that the most important guarantee for people it is the set of competencies and skills created over their work experience.

This is what our people need this is what we need to combine flexibility with social guarantees in an efficient and inclusive labor market.

Conclusions

Since November 27, Federmeccanica has been working to promote an holistic Industrial Policy, aimed to a turnaround of the economy with positive effects on employment and growth.

In that same day, in more than 60 Italian territories, Metalworkers Associations presented their proposals to the National and local Stakeholders. An unprecedented event to face an unprecedented crisis. Not a move for protesting but for proposing solutions.

Today we are raising our Manifesto, coming before the major European Institutions.

We represent the second largest Industrial Sector in Europe and we are aware that our contribution will be crucial to make the economy grow in the near future toward the 2020 objectives. We are ready to play our role, however each single player shall contribute along this path.

It is time to put the Industry growth on top of both the European and local Governments agenda. We do need combined efforts to re-launch the Industry by removing all the road blocks while sustaining investments. We need to free resources, develop know how and inject trust into the real economy.

Over these turbulent times, many European Industries have remained competitive in the Global Market thanks to their capability to innovate, invest in quality and increasing export in the new developing countries.

However we still miss the rebound of domestic demand that has fallen down dramatically.

So we need specific actions to restore domestic demand in each single State and within the EU as a whole.

We can't have a strong Industry without a strong Internal Market. And Europe is a great market of more than 500 million people. The greatest economic area in the world.

In conclusion Industries are the most important resource for the European Community.

We just need to let them do their job to turn the current crisis into a great opportunity: the Industrial Renaissance.