

# Finding the right European industrial strategy

EPC event on industrial strategy – Brussels, 1 April 2019

'Please check against delivery'

Ladies and gentlemen,

It is a pleasure to be here today. I'd like to thank the European Policy Centre for organising this dialogue on a particularly topical issue: the future of Europe's industrial policy.

And thanks also to Peter Altmaier for his address. Recently, we had the opportunity to discuss this topic at an event organised by the Federal Cartel Office in Berlin. It is great to continue the discussion here in Brussels today, with all of you.

## Strength in diversity

But before we talk about the challenges we face, let's first take stock of what our economy looks like today. And the most striking feature of the European economy is its diversity.

There are some 24.5 million companies - small, medium and large - serving 500 million customers. The vast majority of these companies have fewer than 250 employees.

Europe's SMEs account for more than half of Europe's business income, they employ nearly two thirds of its private sector workers and they account for about a third of Europe's exports, in terms of value.

In this way, Europe's economy looks very much like a diverse ecosystem. And if we compare our economic ecosystem with that of the natural world, we can see why such diversity is so important.

Because natural ecosystems are more healthy and resilient when there are thousands of species filling different niches. Any ecosystem gets its strength from its diversity. It is stronger when its entire fate does not depend on a few species alone and when each species can react to its surroundings and evolve to get even stronger.

There is a lesson also for any industrial policy here: We have to look beyond individual companies and think of our economy as an evolving ecosystem. One in which companies can adapt to change, seize opportunities, and reinvent themselves. Which means that they may look completely different tomorrow than they did yesterday.

The best way to promote this process is to ensure that all companies - no matter their size or origin - have a fair chance to compete and grow on their merits.

I truly believe that keeping competition open in Europe makes our companies stronger, pushing them to achieve the efficiency and quality they need to compete abroad.

## We have many champions

We have already many examples of companies that are flying high in global markets.

To give you a literal example, did you know that the world's highest cable car ride is in La Paz? The Bolivian capital has the largest urban ropeway network in the world. And it was built by an Austrian company: Doppelmayr. The firm is a leading manufacturer of cable cars, ski lifts and ropeways, exporting to 95 countries.

Coming down to earth, for those commuting by car, here is another great example. Sygic is a Slovak company based in Bratislava, which offers GPS navigation systems for mobile phones and tablets.

In 2015, Sygic reached the milestone of 100 million downloads of its navigation app. Today, it has 200 million users worldwide, that is around 37 times the population of Slovakia. Perhaps some of you are using this app.

These are just two of the many European companies that are competing successfully on the global stage. There are many others, some are large, others smaller. They come not only from the biggest EU countries, but also from smaller neighbours, as we've seen.

Because, if there is a lesson we can take from evolution is that the key to survival is not only size. True, often it helps to be big, but regardless of size it is always important to be able to adapt to change.

This goes for companies, as well as for policy makers.

## If digitisation is the question, innovation is the answer

The most pervasive change affecting almost every aspect of our lives is digitisation.

This changes the game and the race is ongoing as to who can adapt and make the most of the opportunities it brings. Just as Sygic has done.

This makes it all the more important for Europe's businesses to stay ahead of the innovation curve. So the key ingredient in EU's industrial policy has to be to facilitate our companies taking a lead in developing and using key technologies.

Microelectronics is one such key technology. Microchips and sensors are essential for many industries as products become more and more digital.

Our State Aid rules aim to facilitate EU governments to cooperate and jointly fund such important projects of common European interest. In December, the Commission approved Europe's first integrated research project on microelectronics. Four Member States will pool up to 1.75 billion euros in public funding to support research in this field. The scheme is designed to be open so that competition does not suffer. And it is exactly building on our diversity. It will spur cooperation between research institutions, universities and companies of all sizes - including innovative startups and small and medium-sized enterprises.

I hope it can be used as a template and inspiration for other projects.

The Commission has also suggested that the next Multiannual Financial Framework should reflect this priority. We need ambitious funding levels for investing in research and innovation.

## Enforcers must also be ready to adapt

From the point of view of competition policy and enforcement, we also need to be ready to adapt. Competition will be very different if digitisation leads to a world where a few companies control essential data, or where digital platforms have the power to stifle innovation by shutting out competitors as they see fit.

We are currently reflecting on whether this requires us to update our rules to face these challenges. We already conducted a public consultation last autumn, and in January we held a conference with 500 experts here in Brussels. The next step will be a report by three special advisers I have tasked with giving us all advice on whether competition rules should adapt to better protect consumers in a digitalised economy.

I'm looking forward to their ideas for new ways to help us understand the power that platforms have.

I'm also looking forward to what the report will have to say about how to tackle the risk of companies monopolising the data you need to develop and compete – while still being fair to businesses that have put money and effort into building those sets of data, and respecting the privacy rights of the people whose data it is.

And finally, I'm interested in our advisers' ideas on how we can put a stop to mergers that would harm innovation, even when they happen early in the life of a startup. Right now, it isn't easy to be sure whether those startups would have turned into serious rivals if they hadn't been bought. And they may even have so little turnover that they don't need our approval for the merger at all. So we need to see if there are ways to overcome these problems – without getting in the way of mergers that keep the startup market working well.

## Level playing field in global arena

Of course, if we want to deal successfully with the ongoing changes, we need to take account of what is happening beyond our borders. Because the European economy is not an isolated ecosystem, but it is increasingly exposed to the international environment.

This makes it all the more important to maintain a global level playing field, so EU companies have a fair chance to compete on their merits.

And this goes beyond the competition portfolio.

As the European Council stressed, the EU must make full use of the trade defence instruments at its disposal, in order to safeguard our industry from unfair commercial practices by third countries. We also need to keep working on getting stronger WTO disciplines on subsidies.

We also need to make full use of the new procedures to screen foreign investment, in order to make sure that it doesn't go against our strategic interests.

And as regards public procurement, we need to act to ensure reciprocity for EU companies in non-EU countries, so that they get the same chance to compete in these markets as foreign companies have here. This is why the European Council's call to relaunch negotiations on the EU's international procurement instrument is so important.

## Conclusion

So, just to recap. When we are trying to define the right industrial strategy to face the challenges we face, let's remember that our true strength is that we are united in our diversity. If we think ourselves as keepers of the ecosystem, we should design an industrial policy fit for all its members.