

The Lisbon Agenda sets the objective of ***EU becoming the most competitive and knowledge-based economy in the world by 2010, capable of sustainable growth with more and better jobs and greater social cohesion.***

The manufacturing industry, representing 22% of Europe's GDP and accounting for 34% of Europe's employment, has a major role to play in accomplishing this highly ambitious objective.

However, it is clear to all of us that the challenges and threats it is presently facing are of unprecedented relevance:

Globalization sets the scenery, and exposes EU manufacturing businesses to the competition of the low wage, light regulated economies of the Southeast Asia or Latin-American countries, the highly innovative and fast pace US industry or the high-tech Japanese economy.

Emerging economies like, for instance, China, base their competitive advantage not only on low labor costs, but also on the absence of several constraints, namely unregulated and unsustainable usage of resources, be it fuel for energy or raw materials for product incorporation, no emission or effluent management, no HS&E policies, etc.

But how, one might ask, can these practices be looked upon as competitive advantages if most of them are prohibited or strongly conditioned by European laws or regulations? Should we be willing to draw back in all our efforts towards sustainability, in all our energy and environmental policies? By all means, NO! Europe is committed to long term growth and sustainable economic and social development. The advantages arising from the practices described above are certainly of short term effect, and will mean hefty tolls in terms of social and environmental impacts.

But, above all, it is of utmost importance to take notice that the answer to the question above would still be NO even if one took the perspective of strict business profitability; it is thus not only a question of environmental conscience or social ethics on the steering of the manufacturing industry, it is also about sheer long time profit.

Nevertheless, the fact is that European manufacturing industry faces what one could be tempted to classify as unfair competition from these emerging economies. Should this so-called unfairness be addressed by trying to extend European-like regulations to the rest of the world, namely to developing countries? It certainly can, and most probably should, but I'd risk stating that would be a rush attempt to level two different realities that only time can bring to a common platform.

The US economy, on the other hand, presents its own challenges, with a weak USD affecting European exports, namely German.

Showing a continuous capacity to attract financial investments, the US have been able to live with an hefty current account deficit (approaching 1 trillion USD per annum), while potential GDP growth (close to 3%) keeps well above that of Europe.

The strongly innovative and flexible US economy has the capacity to quickly accept and absorb losses, mostly due to a more laid out labor regulation. Coupled to a strictly growth oriented FED policy, the biggest economy on the world has kept up the pace.

To generate enough jobs and wealth for all its citizens, Europe needs to develop and be competitive in a vast number of knowledge areas. It has to strength its more competitive sectors and strive towards other sectors.

Europe also needs to promote a balanced economic and social development of its several regions, boosting the most dynamic ones but also helping and supporting the uptake of those less developed, thus emerging at a global scale as a strongly cohesive player.

To face all these challenges, a multi-dimensional action plan is needed, including:

1. Leading European sectors, like automotive, aerospace, telecommunications, machine tools, etc., and their OEM's need to reinforce their global competitive positions, namely by means of a growing investment in R&D. To enhance this trend, investment incentives can play an important role, namely fiscal and financial benefits.

Furthermore, a better access to R&D resources and institutions is also critical and must be granted.

New forms of cooperation, like joint ventures, partnerships or strategic alliances should be fostered, either between R&D institutes and companies or between companies themselves.

2. Industry needs to articulate with education and training organizations the creation of initiatives capable of ensuring the number and profile of specialized, high skilled workers needed to support this development.

Governments should be responsible for providing an adequate basic/generic education to students. But specialized training requires active involvement, in some cases a leading role, from industry. The manufacturing industry needs to define its agenda in terms of education and training.

Research projects, for example, can provide important opportunities for specialized education and should, therefore, be promoted within the scope of university-industry cooperation.

3. Europe needs to significantly improve its ability to transform technology and knowledge into wealth and jobs, especially in emerging areas.

Europe is lagging in this transformation step, when compared to other areas of the world, and we need to ensure that the results of European R&D investment, both private and public, primarily contribute to its economic development. This calls for a full coverage of the entire innovation cycle.

Innovation is a key issue, if not *the* key issue. But what is innovation?

The OECD defines innovation as “new products, business processes and organic changes that create wealth or social welfare”. It is important to notice, though, that innovation might not live on technological breakthroughs or brand new products.

To give but one example, when the Portuguese paint and varnishes firm CIN first developed the concept of mixing base colors at the point of sale to obtain customer requested color, thus tremendously reducing the need for stock and, at the same time, dramatically increasing customer’s choice, it was definitely innovating.

Big companies and universities alike are trying to grasp and tame the process of innovation, turning it from an art into a science. It would appear that open, non-structured processes have far better chances to succeed than traditional centralized models of R&D. Not to say that R&D is not of utmost importance, it just might not be the crucial piece of the innovation cycle.

Management itself is probably one of the best places to look for innovation.

Beware that innovation lives on risk and acceptance of failure. Organizations must have tolerance to both these concepts if they are to innovate.

4. In parallel, Europe also needs to improve its industrial units, in order to obtain cost reductions, increased flexibility, smaller response time and better product quality.

This can only be achieved by means of a clear reinforcement of industrial investment, be it new greenfield projects or revamping of existing factories, thus fostering state-of-the-art performance of the industrial tissue.

Governments, on their hand, must keep constantly aware that the excessive taxation found in most countries of the “old” Europe reduces the savings of enterprises causing hampering of investment.

These topics of industrial best practices, relevant to almost all sectors and especially to those more under pressure from low wage countries, are fertile ground for MANUFUTURE contributions.

5. Europe has always been a place of strong regulation. The role of the authorities, be it the government or any other related institution, has thus been clearly exaggerated. Authorities should facilitate business development, but should never be called upon to provide solutions to every problem. Pure entrepreneurship is a concept and an attitude too seldom seen on the acts of European organizations and businessmen. Our speech is too often one of expectation towards the intervention of some higher law, rather than one of self commitment and action.

It is in the initiative of each and every player in the European manufacturing industry that lies its future.

6. Since Europe manufacturing industry, given its globally recognized set of values, engineering capacity or design features, is most likely to output high value added products incorporating significant amounts of know-how and R&D, the issues of IPR (Intellectual Property Rights) protection become of great relevance.

A more realistic and adequate (namely simple) framework for IPR protection and management is thus needed at international level or, at least, at European level.

7. Europe shall always be faithful to the principles of sustainability. Namely in what concerns environmental impact of industrial activities and energy usage and generation, Europe is setting the standard, both in policy making and in technological achievements.

This commitment is resulting in a significant development of expertise and production capacity in these sectors. As these issues are eventually globalized, Europe shall position itself as to capitalize its leading role in several of these areas, becoming the major source of technology, services and products for the world.

8. Differences across European regions should be acknowledged and specific positioning and strategy should be defined. Based on their dynamic capabilities, each region must have its own specific (local) innovation platform/system. Most developed regions can then serve as engines and as benchmark to others.

Building of a competence map could prove to be a very enlightening exercise, and a powerful tool to better grasp the tremendous potential of the vast network of universities and R&D institutes across Europe.

A framework capable of accommodating both competition and cooperation between regions is necessary, as well as some sort of general coordination to allow Europe to be looked upon as one region or industrial block. MANUFUTURE platform can throw in an important contribution to this coordination task.

Finally, I would like to state that it is my strong belief that, on top of “the new platforms”, one has to dedicate human and financial resources to modernize the so-called traditional sectors (like garment or shoe industries), to improve the productivity and offset the impact of imports of goods based on low salaries, poor social contributions or lack of respect for the environment.

I am confident that MANUFUTURE platform will stand up to its task and help manufacturing Europe to tackle the huge challenges it is now facing. Should Europe know how to be innovative and entrepreneurial and the challenges, I have no doubt, will be met.