



EMF Manifesto for more and better industrial jobs

A strong manufacturing is essential for sustained economic growth and stability in Europe. In the context of a collapse of the financial markets and under the threat of a steep recession in the real economy, a strong growth and innovation-focused industrial policy is essential to European companies, workers and consumers. The EMF and its affiliates are committed to campaigning for all politicians defending and promoting a sustainable future for European manufacturing.

This manifesto sets out the EMF's concrete demands for the forthcoming European Parliament elections and the appointments of new Commissioners in 2009. The demands focus on the EU's macroeconomic, environmental, industrial, competition, research and innovation policies.

European industries should not be left to decline further or move to other parts of the world, because manufacturing industries:

- employ over 40 million European workers;
- underpin economic growth and wealth creation (productivity rises in industrial sectors are much higher than in services);
- are a source of innovation and technological progress (industry represents 81% of private sector R&D in Europe);
- create solutions for societal problems, ensuring a better quality of life for all and sustainable development;
- contribute to the equilibrium of Europe's trade balance (industrial goods represent three quarters of Europe's exports); and
- provide employment-multipliers and drive demand for industry-related services: every industrial job creates 2 extra jobs in the service sectors.

For all these reasons the EMF wants European politicians to promote an ambitious industrial policy supporting sustainable growth and jobs in manufacturing. Furthermore, as the deregulation and laissez-faire approach of the financial markets has proved to be detrimental not only for the sector itself but also for manufacturing and its workers, a complete overhaul of the regulatory framework is needed in order to bring the financial markets back to their basics: turning savings into productive investments and jobs in industry. Finally, as decent jobs are at the heart of our commitments and as the financial meltdown is threatening the future of the European social model, the EMF insists on the strengthening of the social pillar of sustainable development in order to prevent a social recession, including:

- the defence and promotion of social and labour rights, including a guaranteed right to strike at European level;
- credible lifelong learning, active labour market policies including all workers, and the promotion of social and economic security; and
- socially acceptable management of change.

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1. Manufacturing workers shouldn't bear the brunt of financial mismanagement

Greed, irresponsibility, irrationality and abuses have brought the world's financial markets to the brink of collapse and raised the spectre of a prolonged global recession. Working people risk paying three times for the mismanagement in the financial sector: by financing the public bail-outs of banks and financial institutions, by losing their jobs, and by being forced out of their homes.

a) Re-regulate the financial sector

A banking sector which creates tremendous wealth for a limited few but which brings millions of ordinary people into hardship has no social and political legitimacy.

Faced with the worldwide meltdown of the banking system a firm policy response is needed. The excesses of the financial crisis are the result of deregulation of the financial markets, accompanied by inadequate levels of supervision. This has led to the creation of highly questionable financial instruments and enabled financial institutions to sidestep existing regulations. Firm and efficient policy action is needed to change the rules of the game in favour of strict regulation and public influence on financial markets. The credit squeeze has destroyed the idea that unregulated financial markets always efficiently channel savings to the most promising investment projects, undermining existing laissez-faire financial regulation. Self-regulation of financial markets does not work and has endangered one of the basic rules of capitalism: protection of private ownership (in this case: deposits of citizens). However, crises are also opportunities. Until further notice, pro-market drum-beating is over.

The financial crisis has shaken the foundations of the Anglo-Saxon (dis)order of capitalism. A global consensus that governments should take action has come into being. The case for global rules and multilateral governance could not have been made more forcefully than by the present crisis. To stop the domination of the financial system over the real economy, the playing-field of global financial capitalism must be reduced back to its essence: turning savings of citizens into investments that live up to the needs of these citizens. Re-regulation and proper supervision are urgently needed to ensure that financial markets promote rather than endanger the growth of the real economy. Finally, financial institutions and their managers should no longer be allowed to privately enjoy the gains of risky behaviour while threatening stability and socialising their losses.

From 2009-2014, the EMF demands:

- ✓ Better regulation of financial markets:
 - More supervision, control and transparency
 - Creation of a European supervisor
 - Supervision of rating agencies and creation of a European ratings agency
 - Regulation of non-regulated markets
 - Reducing the use of leverage
- ✓ Better regulation of banks
 - A Setting-up a European recapitalisation fund
 - European statute for cross-border banks
 - Tackling bonus-systems that promote short-term decision-making
 - Stricter and counter-cyclical capital requirements

- Ensures adequate capital requirements in order to limit excessive use of leverage
- Transparency of offshore activities
- ✓ Better regulation of financial products
 - a. More supervision, transparency and risk prevention of all kinds of derivatives and off-balance financial products (e.g. setting up a Financial Products Safety Committee)
 - b. A Tobin tax on derivatives to curb their use
 - c. Curbs on short selling
 - d. Regulation of mortgages
 - e. Adequate capital requirements for complex financial products and derivatives

b) Decent corporate governance and regulation for private equity funds and hedge funds urgently needed

The increasing dominance of private equity funds and hedge funds on the financial markets has become a major challenge for the European economy because of a number of reasons, including: lack of transparency, unlimited use of leverage, lack of regulation, extreme fees and management remuneration, short-term thinking, squeezing companies in their search for extreme profits, tax evasion, and high complexities in the derivatives managed by hedge funds.

The EMF urgently insists on the development of a regulatory framework that addresses:

- ✓ The need for more transparency and disclosure (e.g. minimum reporting standards)
- ✓ The need to discourage buy-and-sell strategies and stripping of companies (e.g. by creating incentives for long-term investment strategies and preventing the withdrawal of liquid assets from the target company, limiting the transfer of debts to companies that are the object of a LBO)
- ✓ The lack of respect for worker rights (e.g. by guaranteeing the adequate funding of pension schemes after a LBO, by making the transfer of undertakings directive applicable to LBO)
- ✓ The excessive use of leverage by introducing accounting rules that impose minimum capital standards and maximum levels of debt
- ✓ The issue of tax evasion (by introducing a capital gains tax rate)

2. The need for macroeconomic stewardship in troubled waters

Since a minimum overall growth rate of 2.5% is needed to defend manufacturing jobs, an effective industrial policy, able to ensure the future of European manufacturing, is dependent on all the EU institutions pursuing pro-active macro-economic policies, which stabilise the business cycle and promote economic growth. This is no mean feat considering today's economic climate and will demand asserted political leadership and far greater coordination of monetary, fiscal and budgetary policies in the forthcoming period 2009-2014.

Following a half-decade of growth, the economic outlook for European industry is overshadowed by the worldwide economic shockwave caused by the combined effect of two different (although related) phenomenon.

The global deflationary financial crisis results from the sub-prime mortgage crisis and credit crunch in the US. The housing market collapse and subsequent

tightening of credit conditions have taken their toll on US consumption and investment, while weaker US imports have slowed down growth worldwide. European exports have felt the pressure from the weaker US dollar. The failings of global financial institutions and markets to keep their house in order have caused the real economy slowed down worldwide.

An inflationary economic crisis caused by the inability to supply increasing global demand (and aggravated by intensified speculation on commodities) has resulted in soaring oil and commodity prices worldwide. This, together with higher inflation (which is eroding purchasing power) is likely to negatively impact on industrial production and employment for some time. The foundations of the current economic slowdown lie in the dissemination of innovative financial mechanisms which allowed too much liquidity in the economy in recent years. The creation of opaque securities based on sliced and diced loans (with variable risks) sold on to investors has generated financial cluster-bombs worldwide, undermined the credibility of the credit rating agencies unable to assess these securities' risks, and fuelled a credit bubble, spiralling leverage and a collapse in lending standards (e.g. Ninja mortgages in the US: no income, no job or assets).

The twin shocks of the worst financial crisis for generations and the surge in commodity prices risk transforming global economic prospects into the deepest world recession in more than 30 years. The fact that panic has grown far out of proportion is resulting in a self-fulfilling prophecy risking the destruction of productive jobs in industry and threatening the livelihood of workers. Since summer 2008, the European economy has started to slow dramatically. The common conviction that while the US's economy caught the flu after the burst of the sub-prime bubble Europe could escape with just a cold has proved to be false. Today European manufacturing is being squeezed from three sides: falling demand in many of its markets, a credit squeeze that is obliging companies to postpone investments and that is provoking bankruptcies of already ailing companies, and a weaker dollar which is harming European exports.

To prevent the financial turmoil from further negatively affecting the real economy, government action is needed to promote investments (hindered by the lack of credits), support consumption (hindered by the shocked consumer confidence) and to shore up a global financial savings system that is under unprecedented strain. Beggar-my-neighbour policies and a new round of wage and tax competition should be avoided at all costs.

The EMF demands that new MEPs and Commissioners pursue a strong, coordinated and intelligent demand-led macroeconomic policy at EU and national level.

At the same time the failure of the Anglo-Saxon paradigm of self-regulation of markets must lead to a comprehensive new regulatory framework able to bring the financial system back to its essence: turning savings into productive investments.

a) Tackle the single-minded focus of the ECB on wage inflation

Inflation is of course important and maintaining price stability is an important task of the central bank. However too much focus on inflation-busting could provoke an economic recession and put an end to the long period of shrinking unemployment in Europe. Since the surge in prices is the result of an external shock and not of internal macro-economic imbalances and nor is there a wage-price spiral inside Europe, the recent behaviour of the ECB should be questioned by MEPs and the Commission. It is frustrating that central banks determinedly fight any sign of wage-related inflation but are blind to inflation instigated by new financial instruments.

MEPs and the Commission should press the ECB to:

- ✓ recognise that addressing the economic slowdown is as important as abating high inflation and, therefore, pursue a forward looking monetary policy and swiftly cut its base rates; and,
- ✓ play its full role in ensuring stability in the financial markets
- ✓ preserve the international competitiveness of European industry

b) Making use of all the fiscal ammunition available

In order to stimulate the economy and use recent, prudent national behaviour to best effect, fiscal policy-makers must launch a new 'European smart growth initiative' (as recommended by the ETUC in June 2008). International demand for euro-denominated assets could be harnessed through the issuing of international bonds to finance innovative projects and technological advances. Improved fiscal balances in Europe should be used for public investment in projects that support long-term economic growth and generate internal demand. Member states with low debt levels and low budget deficits (or even surpluses) should be allowed to inject targeted fiscal boosts. Fiscal support to improve the purchasing power for those on the lowest incomes is crucially important; tackling energy poverty through windfall taxes on energy companies is one such measure.

The EMF calls on candidates for the EP elections and the new Commission:

- ✓ to support the proposed European smart growth and investment initiative as a concrete means of simultaneously achieving the Lisbon objectives of full employment, competitiveness, and sustainable development;
- ✓ setting up/relaunching public investment funds to take over the initiative from a failing financial sector;
- ✓ the development of risk-sharing schemes to improve risk-sharing access to debt financing for activities with a higher than average risk profile that is not covered by the market: e.g. projects with a long launching period, or for the development of new technologies or markets;
- ✓ stimulus packages for industry, recipients of public support for manufacturing should guarantee that:
 - those companies receiving funds do not make redundancies but make use of negotiated short-time arrangements where necessary;
 - there are no wage cuts and that collective agreements are respected;
 - during periods of reduced production, workers should be provided with training for qualifications which improve their employment prospects;
 - public support should not line the pockets of shareholders through dividends or other forms of share buy-back;
 - As far as possible, support should promote the development of new products (according to environmental criteria).
- ✓ Support the development of social recovery plans to tackle the social recession: increase of unemployment allowances, better protection of agency workers, job programmes, reinsertion programmes for the fixed-term workers that have lost their jobs.

c) Address worldwide macro-economic imbalances

The cracks in the 'Bretton Woods 2' arrangements, in which much of the emerging world pegs itself to the US dollar, are increasingly visible. Currencies in many countries with surpluses in their current accounts remain undervalued. A weakening of the US dollar may help the US to get rid of its current account deficit, but it threatens overheating and inflation in emerging economies within

this informal dollar zone. More flexible, managed exchange rates, as well as a new purpose for the IMF, are needed to prevent and address macro-economic imbalances in these countries in order to strengthen domestic and world stability.

The EMF calls on MEPs and the Commission:

- ✓ to support all efforts for a complete review of the world's financial architecture which, created in Bretton Woods after the second world war, is no longer adapted to tackle the challenges of a globalised economy, and to pursue a new global framework for international currency markets.

3) Growth and jobs beyond 2014: Europe needs a strong industrial policy

The urgent need to address climate change and greenhouse gas emissions, as well as the current high prices for energy and raw materials, have made clear that a development model based on the extensive use of cheap and abundant energy/raw materials pumping damaging gases into the atmosphere has reached its limits. It also clear that the prevailing view that sustainable development is a heavy burden on the economy is unjustified and that economy and ecology should go hand in hand.

Economic and industrial policy should show a strong commitment to develop urgently a new growth model based on eco-efficiency, biodegradable materials, renewable energy, carbon-lean production and the internalisation of ecological externalities. Moreover, without strong political commitment to lever ecological production- and consumption-models, we will not be able to combat climate change and reduce our ecological footprint, which will finally block economic development altogether

For the EMF, the European economic growth model cannot be built only on the increase of labour productivity, the uptake of ICTs or the knowledge economy but should take on board the development and uptake of sustainable technologies as well. As economic growth, social progress and sustainable development go hand in hand, there should be political awareness that the competitiveness of companies will be more and more dependant on the way they will be able to adopt technologies and strategies for more energy and resource efficiency. Sustainable, affordable and secure energy has to become a basic pillar of any proactive industrial policy for European manufacturing.

The EMF demands:

- ✓ job creation by a greater integration of sustainable development into EU industrial, economic and enterprise policies;
- ✓ EU policy and financial support for sustainable factories through social dialogue and worker participation; and
- ✓ Sectoral impact assessments and action plans to promote sustainable development.

a) Consolidation and strengthening

Faced with the end of the internet bubble in 2001 and the resulting economic slowdown, many, not least within the manufacturing trade unions, called for a contemporary and tailor-made industrial policy in Europe; a policy able to deal with the important structural changes industry faces in the light of globalisation.

As a result, and after years of neglect, the last legislative periods have been marked by a rediscovery of industrial policy in Europe and welcome attempts to develop and modernise the industrial policy toolbox for the European internal market. They demonstrate the renewed commitment of the Commission to protect and strengthen the industrial fabric of Europe and to tackle the deep technological, ecological and economic challenges with which industry is

confronted, and prove that the EU no longer shies away from industrial policy. The integration of sustainable development into the goals of industrial policy has provided momentum towards a more holistic approach to future manufacturing addressing the synergies between policy areas.

The return of sectoral industrial policies to the political agenda is of particular note. For almost all metal sectors sectoral screenings have been carried out and task forces, high level panels, innovation platforms have been set up (e.g. LeaderShip, Stars 21, Cars 21, EnginEurop, ICT task force, Electra, and the metals sector). The integration of the service sector into industrial policy both as a tool for modernizing industry (promotion of service-extended products) and to strengthen industrial competitiveness (e.g. by creating an internal market for energy and financial services) should be promoted.

Industrial change needs to be counterbalanced with social policies to accompany structural changes (e.g. the creation of a restructuring task force, and the increased role of the European structure funds in industrial restructuring processes). In this respect the EMF welcomed the creation of the Globalisation Adjustment Fund to support workers affected by the adverse effects of globalisation.

While, the EMF welcomes the fact that the problems and needs of manufacturing have been taken seriously and the role of industry as a motor for jobs is recognised by the Commission, there is still much to be done in the forthcoming legislative period to underpin and implement policy. To achieve the Lisbon goals, proactive commitment from the Commission and MEPs is indispensable.

From 2009-2014, the EMF calls for:

- ✓ closer monitoring of the implementation of the different existing sectoral programmes and greater coordination between different levels (global, EU, national and regional);
- ✓ the development of new industrial strategies and visions, including the inclusion of the service sector in the EU industrial policy agenda recognising that the increase in service sector jobs is largely a statistical phenomenon;
- ✓ further development of the integrated approach, bringing together all policies which have an impact on industry: sustainability, regional policies, social policies, education, trade, competition, macro-economic policies etc.;
- ✓ in particular, better integration of social and industrial policies in order to deal better with the social consequences of industrial change;
- ✓ through social impact assessments of EU legislation;
- ✓ the extension of the scope of the EGF to all mass redundancies resulting from structural change, and greater use of intra-EU worker mobility grants;
- ✓ renewed efforts to address skills gaps in many industries making the issue a priority in various policy areas (education, labour market policies, science policy);
- ✓ prioritising the monitoring of emerging skills needs and establishing sectoral skills councils at EU level, including the social partners;
- ✓ for the structured involvement of social partners in the decision-making and implementation process;
- ✓ the further reinforcement of the sectoral social dialogue; and,
- ✓ the creation of a tripartite high-level panel on industrial policy.

b) Horizontal industrial policies: a large toolbox

As the role of industrial policy is to raise the potential of Europe's industry in a globalised world and as comparative advantages are not static anymore, industrial policy's role is to look for and to create comparative advantages for all factors having effect on the location of an ever more internationally split up production chain.

As cost-cutting is not the way forward for the promotion of industry in Europe, horizontal industrial policy should concentrate on the non-price factors influencing competitiveness: human resources, R&D, technological know-how, quality of labour, logistics, sophisticated supply-chain management, marketing, infrastructure, new ways of company-organisation, new production paradigms, quality, design, and the development of product-related services, customized products. Therefore, the EMF insists on the further fine-tuning and strengthening of the instruments of horizontal industrial policies.

From 2009-2014, the EMF demands:

- ✓ a framework promoting long-term public-private partnerships for the development of new technologies and markets;
- ✓ the maintenance and sustainable upgrading of Europe's industrial infrastructure (e.g. science parks, transformation of brownfields, sustainable industrial parks, collective housing, services and infrastructure for starters, energy, transport and communication networks);
- ✓ incentivised rules to encourage companies to apply sustainable production processes and products, including better use of public procurement as a tool for launching new products and services;
- ✓ the greater development of the EU's lead markets policy and greater support for industrial clusters in order to enhance access to knowledge, research, market exploration, training, specialised infrastructure;
- ✓ EU harmonisation of company tax both as a tool to avoid fiscal dumping (the average rate of company tax in Europe-27 decreased from 35,3% in 1995 to 23,6% in 2008) and to promote a European system of tax incentives, able to boost innovation, value added and employment in industry.

c) Innovation: main driver of industrial policy

Today's economic progress relies heavily on the creation of knowledge and its transformation into new products, services and processes. As Europe is not able to compete on the basis of natural resources, and does not intend to compete on the basis of cheap labour or at the expense of the environment, Europe must respond by investing in knowledge in order to raise productivity, create new jobs and new products and services of high value added. The only way for Europe to foster economic growth, to maintain its industrial base, while ensuring social progress and promoting environmental sustainability, is through technological and social innovation. Innovation is the primary driver of a successful and sustainable industrial policy. While much has been done to date, far more effort is needed to implement the Lisbon strategy's innovation objectives.

From 2009-2014, the EU's innovation policy:

- ✓ should aim to avoid the relocation of manufacturing activities and related services (e.g. R&D, ICT) and support the permanent upgrading of its European industrial sectors (e.g. by paying more attention in the European framework programmes to industry related research)
- ✓ Achieve and strengthen the Barcelona objective of investing 3% of GDP (whereof 1% public R&D) in research and development, through more

qualitative objectives (e.g. more efficient use of financial resources, a more effective European research system, creation of sufficient critical mass, closer link with society, a better use of public-private partnerships to promote technology and innovation);

- ✓ Must renew efforts to create a Community patent, and strengthen the framework for and enforcement of industrial property rights alongside continuing work on standardisation;
- ✓ Support the development of innovation alongside R&D (i.e. promoting new/improved processes, products and services by applying existing scientific knowledge in a new ways), recognising that innovation is more than technological innovation and includes also issues as new concepts for logistics or marketing, organisational innovation, workplace development, business model innovation, product design and product quality. To the EMF a better common understanding of and a much more coordinated European approach to non-technological innovation is needed
- ✓ develop a new, broader understanding of innovation that does not equate innovative ability with excellence in R&D alone, raising awareness of innovation policies such as:
 - the development of innovative clusters
 - creation of effective systems of knowledge diffusion
 - strengthening the absorption capacity for innovation in firms
 - developing the non-technological aspects of innovation
 - better coordination between the innovation system, the industrial fabric and labour markets
 - better recognition of the strategic importance of the institutional framework (e.g. standards) to bring new products to the market
- ✓ should not concentrate all its efforts on the development of high-tech activities, many 'traditional' sectors have shown a high capacity to innovate (e.g. steel, non-ferrous metals, cars, shipbuilding) and/or have comparative advantages which should be fully exploited.
- ✓ Should support the development of the recently created European Institute for Innovation and Technology as a flagship for industrial research

4) Energy: global warning

To the EMF welcomes the emergence of a new vigour in the field of EU energy policy. Energy policy and industrial policy are intricately linked and should complement each other in order to enforce the transition to a new industrial paradigm based on low carbon and eco-efficient production. With energy costs far outweighing labour costs in many metal sectors, EU energy policy must enable Europe to meet the Kyoto obligations and to de-couple economic growth from energy consumption. However, at the same time it must maintain the competitiveness of the European economy and ensure Europe's position at the cutting edge of energy technologies. While electricity producers and suppliers compete in national markets, the metals sector has to compete on a global basis in extremely cyclical markets with little opportunity to pass on cost increases. Furthermore, the metals sector has to cope with the challenges of climate change and ambitious European environmental objectives. This multi-faceted situation raises serious risks of re-location or carbon leakage.

For the EMF, a comprehensive energy policy should be based on long-term objectives, that are both technologically and economically feasible and on a regulatory framework able to deliver on climate change commitments, affordable prices of energy and security of supply.

Cleaner forms of energy production will create new growth markets and lead to new high-quality jobs in many sectors of the metal industry (as a result of the higher labour intensity of renewables). This development needs to be underpinned by an active industrial policy, aiming at maintaining and promoting European global leadership in climate technologies.

The EMF is convinced that raising energy productivity (input of energy per unit of production) will contribute to the sustainability and competitiveness of industry, deliver first mover advantages to the European industry and create new jobs in the area of energy services.

From 2009-2014, the EMF demands:

- ✓ a re-evaluation of the Commission's strategy on the liberalisation of energy markets, considering existing policy has not delivered the advantages promised, and an increased role for the public sector in energy markets;
- ✓ that the EU push for the national planning and initiation of new major energy projects to ensure long term supply of electricity;
- ✓ investment in more and improved new energy technologies as a strategic priority for the EU;
- ✓ the development of joint visions and objectives (as the 'passive' house, the clean car, the promotion of public transport systems or green metal production), integrated policy strategies (e.g. lead markets and green public procurement) and supporting regulations (on eco-design, eco-labelling) to allow market access and acceptance for energy efficiency technologies and renewables;
- ✓ asserted EU leadership on international climate change negotiations, including:
 - the EU to push for an international agreement on emissions trading (or alternative actions as the introduction of global taxes), which promotes a global carbon market with the broadest participation, in order to create a level-playing field between industries in the EU and elsewhere and avoid carbon leakage;
 - the generalisation of the use of sectoral benchmarking agreements on emissions;
 - allocation policies which promote long-term investment in R&D and infrastructure;
 - the improvement and better promotion of the Clean Development Mechanisms and Joint Implementation, including social criteria;
 - introduction of greenhouse taxes on imports in sectors where the risk of carbon leakage is real..
- ✓ further development of policies to 'green' the workplace and the promotion of social dialogue and 'green reps' as instruments to support EU energy efficiency objectives.

5) Making global trade work for workers

International trade policy and globalisation are clearly central in any discussion on sustainable manufacturing. For the EMF, decent work and decent pay for all workers is at the heart of our priorities and should be the key priority of trade policy. Sheltering ourselves from international trade flows is not an option for the EMF, but globalisation and international trade must be managed in a socially responsible manner. The EMF does not accept that globalisation should be allowed to erode Europe's socio-economic model, cause distress to workers and increase worldwide inequalities.

The EMF is convinced that the multilateral rules-based system under the WTO is the most effective and legitimate means of managing and expanding trade relations. Multilateral regulatory solutions are most desirable as they offer some important advantages to bilateral trade agreements such as globally comprehensive and transparent market access agreements, rule-making, transparency and dispute settlement. Following the impasse in the Doha talks, and in order to safeguard the future of the multilateral trade system, the EMF is of the opinion that a second best solution can be found by trying to make worthwhile multilateral agreements and set worldwide trade rules on smaller but more manageable issues (e.g. sectoral agreements).

Moreover, EU trade and industrial policy has to respond better to the emergence of global supply chains and the entrance of new, large and open economies like China, India, Brazil and Russia to the world markets.

From 2009-2014, the EU should work towards:

- ✓ the establishment of a global regulatory framework creating the necessary socio-economic floor under the global economy to ensure that trade policy is fully supportive of social development, promoting trade not as a goal of itself but as part of a strategy for growth and prosperity in the developed and developing world;
- ✓ the full respect of the principle of sustainable development (social, economic and ecological) in all trade agreements;
- ✓ the inclusion of social and ecological clauses in all free trade agreements, whether bilateral or multilateral;
- ✓ ensuring that workers subject to restructuring as a result of trade liberalisation are covered by anticipation policies and adequate support measures (including increasing the scope and resources of the EGF);
- ✓ the promotion of "inclusive" development strategies based on the stocking of social capital and an equitable distribution of the gains of economic growth in order to generate a virtuous growth circle which benefits to workers worldwide

Towards a proactive European manufacturing agenda

Europe must guard its ambition to maintain and develop high value-added industrial activities. Industry remains vitally important for a successful European economy to create jobs, to boost productivity, to fuel innovation and to raise social standards. There is no doubt that an active industrial policy, able to tackle the radical transformation industry is undergoing and to mobilise the economy and society around a sustainable industry, will contribute to maintaining and developing a world class industrial activities within Europe and will be able to deliver on its social and environmental objectives. At the same time developing countries should not be forced to accept rapid and excessive liberalisation, which

would hamper their efforts to develop industrial policies and lead to even higher unemployment.

Faced with the fall-out of the worldwide financial meltdown, a forceful industrial policy is needed to prevent European industry to collapse. Therefore, the EMF doesn't share the view that public authorities only have to act where needed to correct market failures. Industrial policy has to be more than just helping companies to adapt to market laws and global competition. Reducing the role of industrial policy to adapt to market developments only has no perspective in the long run. Markets function very well in matching the demands of consumers and suppliers but are not able to provide answers to structural developments and sudden shocks. The invisible hand of the market is only able to create more efficiency, and lower costs, by perfecting the existing market. Markets have no vision or strategy and are not able to deal with new societal challenges and needs

To the EMF, the role of industrial policy is much broader. It also has to try to find answers to the structural challenges with which industry is faced. It has to promote sustainable development, to integrate the rapidity of technological developments (e.g. the rapid diffusion of information technologies). It must support the evolution towards a knowledge society (as innovation and research have taken over from physical capital and manual work as the driving force for growth and competitiveness). Industrial policy has to contribute to an orderly transition from a production-based to a knowledge-based industry. Moreover, industrial policy has to respond to the new international division of labour, characterized by the entrance of new, large and open economies like China, India, Brazil and Russia to the world markets. Industrial policy must be able to respond to the blurring borders between industry and services and the emergence of global supply networks. Furthermore, industrial policy must contribute to the development of new production paradigms to replace the traditional concept of mass production e.g. mass customization, embedding new services into products, new logistic concepts, sophisticated supply chain management etc.

Finally, industrial policy must try to anticipate and manage change in a socially responsible way with a clear, visible stakeholder approach by taking the social partners on board and providing them with the appropriate tools to be proactive partners in this respect.

Therefore, the EMF calls upon the European Commission and the European Parliament to keep the momentum and to continue the debate together with all relevant stakeholders on the further development of visions and strategies for a sustainable industry within Europe.

EMF, January 2009