EUROPEAN INDUSTRIAL POLICY AND COMPETITIVENESS

Also by Thomas C. Lawton

**Technology and the New Diplomacy: The Creation and Control
of EC Industrial Policy for Semiconductors**

EUROPEAN INDUSTRIAL POLICY AND COMPETITIVENESS

CONCEPTS AND INSTRUMENTS

Edited by Thomas C. Lawton

First published in Great Britain 1999 by
MACMILLAN PRESS LTD
 Houndmills, Basingstoke, Hampshire RG21 6XS and London
 Companies and representatives throughout the world

A catalogue record for this book is available from the British Library.

ISBN 978-0-333-74410-9 ISBN 978-1-349-27629-5 (eBook)
 DOI 10.1007/978-1-349-27629-5

First published in the United States of America 1999 by
ST. MARTIN'S PRESS, INC.,
 Scholarly and Reference Division,
 175 Fifth Avenue, New York, N.Y. 10010

ISBN 978-0-312-22333-5

Library of Congress Cataloging-in-Publication Data
 European industrial policy and competitiveness : concepts and
 instruments / edited by Thomas C. Lawton.

p. cm.

Results of a workshop in April 1998 funded by the School of
 Management at Royal Holloway University of London, and a roundtable
 conference at King's College London in late November, 1998.
 Includes bibliographical references and index.

ISBN 978-0-312-22333-5 (cloth)

1. Industrial policy—European Union countries—Congresses.

2. Competition—European Union countries—Congresses. I. Lawton,
 Thomas C.

HD3616.E823E94 1998

338.94—dc21

99-11255
 CIP

Selection, editorial matter and Chapters 1, 2 and 11 © Thomas C. Lawton 1999
 Individual chapters (in order) © Wolf Sauter, Steven McGuire, Günter Walzenbach,
 Claudio Radaelli, Christopher Bovis, Debra Johnson and Colin Turner, Jill Preston,
 Thomas C. Lawton and Michael Hodges 1999

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 08 07 06 05 04 03 02 01 00 99

To the memory of **Michael Robert Hodges**
A scholar and a gentleman

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Foreword

This book seeks first of all to develop a clear and comprehensive definition of modern industrial policy. It examines the formulation and execution of industrial policy by the European Union (EU) and discusses how this has, or has not, contributed to the promotion of European competitiveness. This leads on to a critical analysis of specific instruments of industrial policy. Altogether, this is a book which poses difficult questions about EU policies and their practical impact on firms.

The unique feature of this book is its clear conceptualisation of European industrial competitiveness policy. This is the policy set which developed in the 1990s, comprising horizontal measures intended to facilitate structural adjustment and promote enterprise and corporate competitiveness. For the first time, the main instruments of this policy area are clearly delineated and comprehensively analysed. This approach differs from most previous works which focus on specific industrial sectors or countries. Lawton argues that there is no integrated, centrally co-ordinated industrial policy in the EU, rather a loose macroeconomic policy set does exist which, viewed collectively, does constitute what he terms 'a formidable assemblage of structural determinants of European competitiveness'.

This volume is not an apology for industrial policy nor a propaganda exercise on behalf of the EU. The progressive development of European industrial policy is lauded, as are the stated intentions of the EU's industrial competitiveness policy model. However, policy deficiencies and anti-competitive practices are clearly and, at times, strongly denounced. Government and EU involvement in business affairs and market competition is accepted as a *fait accompli* but not as a prevailing right and necessity. The authors are not arguing that government should have an elaborate set of policies which directly influence corporate activity and performance. Rather, they contend that such policies exist in all countries and have always done so, to a lesser or greater extent. Instead, the key debate is between vertical and horizontal policies: those which target specific industries or companies for financial or other assistance, versus those that support and strengthen the structural determinants of a competitive economy, such as human capital or transport infrastructure. Lawton's authors favour the latter, arguing that if government must be involved in deliberations on competitiveness, then it is best advised to do so in the role of facilitator or structural enhancer than as financier or economic manager.

Unlike many previous books on the theme of European industrial policy and competitiveness, this volume devotes particular attention to policies for small and medium-sized enterprises (SMEs) and the role which SMEs play in the development of an enterprise culture and the enhancement of economic competitiveness. This is a step in the right direction, shifting the policy emphasis away from over-assisted large and transnational enterprises and towards start-ups and relatively young enterprises in need of legal and structural support.

A multidisciplinary approach is adopted in this work. Legal, economic, management, and political science concepts are utilised and approaches that combine the academic and the practitioner. Overall, it is a study of public policy and therefore emphasis rests upon the management and impact of governmental strategies for industrial competitiveness. A basic knowledge of the EU's structure, institutional dynamics and policy-making process is presumed, as is some familiarity with basic economic concepts and business practices. This book takes the reader towards a detailed understanding of what constitutes modern industrial policy in Europe and how it affects the global competitiveness of companies and countries. As such, it should prove of interest to students of European studies, international business, and international political economy. In other spheres, *European Industrial Policy and Competitiveness* will be of interest to all those involved in or affected by industrial policy. These would include business people, interest groups, and policy-makers at both a national and EU level. This text is of relevance also beyond the confines of Europe. All of the policy instruments discussed are employed by governments in North America, East Asia, Latin America and elsewhere. Valuable comparative lessons can be drawn from the European experience in many disparate regions of the world.

This work clarifies and explains a set of important policy instruments of relevance to both states and firms in today's global economy. It also stimulates debate on the ways and means of shaping that elusive notion of 'European competitiveness'. For these reasons in particular, it is worthy of closer inspection and careful digestion.

Susan Strange
University of Warwick
September 1998

Acknowledgements

There are numerous institutions and individuals who have helped us to realise this work. In particular, I am indebted to the School of Management at Royal Holloway University of London for funding a workshop in April 1998 which brought us all together, clarified the book's overall themes and objectives, and cemented individual commitment. My thanks also to the University Association for Contemporary European Studies (UACES) for sponsoring a roundtable conference at King's College London in late November 1998, based on this volume's structure and themes.

I could not have found a better group of people to work with on this project. Their enthusiasm and commitment were unfailing and their good spirits infectious. A special word of thanks to Wolf Sauter for his contribution. He and I have been discussing these issues for a good many years and his input has been instrumental to the book's realisation.

Susan Strange passed away shortly after completing the foreword for this volume. Her memory lives on in all of us who have been influenced by her work and touched by her indomitable and benevolent character.

Sincere thanks to the EU's Office of Official Publications for granting permission to reproduce official data in several chapters. Thank you also to Stephen Gosden, Directorate General XII of the European Commission for his co-operation and useful comments. Glenn Fong of the American Graduate School of International Management was gracious enough to read drafts of Chapters 1 and 2 and to provide important feedback. Sarah Brown, Isobel Munday and Gloria Hart of Macmillan Business were helpful and accommodating in their dealings and highly professional in their approach. Keith Povey proved a meticulous proof-reader of the book's final draft.

As ever, Kirstin Howgate was the main source of editorial assistance and emotional support whilst I worked on this book. To her, a heartfelt 'thank you'.

Sadly, one of our number did not manage to see this project through to its completion. Mike Hodges departed this life during the summer of 1998 and the world is a much duller place since his passing. Those who had the privilege of knowing him will attest to his intellectual fortitude, quick wit and magical turn of phrase, as well as his genuine warmth and humanity. We dedicate this book to him as a gesture of our enduring affection.

Thomas Lawton
Surrey, England
November 1998

Glossary

Adapt Programme	EU training and management development for small companies
AIM	Alternative Investment Market
BCC	Business Communication Centre
BC-NET	Business Co-operation Network
BRITE/EURAM	Basic research in industrial technologies for Europe/raw materials and advanced materials
CAA	Civil Aviation Authority
CAG	Competitiveness Advisory Group
CAP	Common Agricultural Policy
CCP	Common Commercial Policy
CCT	Common Customs Tariff
CEC	Commission of the European Communities
CEDEFOP	European Centre for Development of Vocational Training
CEN	European Committee for Standardization
CENELEC	European Committee for Electrotechnical Standardization
CEP	Common Energy Policy
CER	Closer Economic Relations
CET	Common external tariff
CFP	Common Fisheries Policy
CFSP	Common Foreign and Security Policy
CI	Community Initiative
CIS	Commonwealth of Independent States
CM	Common Market
CMEA	Council for Mutual Economic Assistance
COM/COM DOC	Commission Document
COMECON	see CMEA
Comenius	EU programme for school partnerships
COMETT	Community programme in education and training for technology
CORDIS	Community research and development service
COREPER	Committee of Permanent Representatives
CORINE	Co-ordination of information on the environment in Europe

COST	European co-operation on scientific and technical research
CREST	Scientific and Technical Research Committee
CRS	Computerised Reservation System
CSCE	Conference on Security and Co-operation in Europe
CSF	Community Support Framework
CSTID	Committee for Scientific and Technical Information and Documentation
CTP	Common Transport Policy
CU	Customs Union
DAC	Development Assistant Committee (OECD)
DG	Directorate General
DI	Divergence Indicator
DRIVE	dedicated road infrastructure for vehicle safety in Europe
DTI	Department of Trade and Industry
EASDAQ	European Association of Securities Dealers Automated Quotation
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ECA	European Court of Auditors
ECB	European Central Bank
ECJ	European Court of Justice
ECO	European Cartel Office
ECOFIN	European Council of Ministers for Financial Affairs
ECOSOC	Economic and Social Committee
ECSC	European Coal and Steel Industry
ECU	European currency unit
EDEM	European Defence Equipment Market
EDF	European Development Fund
EDP	European Defence Policy
EEA	European Economic Area
EEICs	European Enterprise and Innovation Centres
EFTA	European Free Trade Area
EIB	European Investment Bank
EICs	Euro-info Centres
EIF	European Investment Fund
EMCF	European Monetary Co-operation Fund
EMF	European Monetary Fund
EMI	European Monetary Institute
EMS	European Monetary System
EMU	European Monetary Union <i>or</i> Economic and Monetary Union
EP	European Parliament

EPC	European political co-operation
EPU	European Political Union
Erasmus	European Community action scheme for the mobility of university students
ERDF	European Regional Development Fund
ERM	Exchange-rate mechanism
ESCB	European System of Central Banks
ESF	European Social Fund
ESPRIT	European strategic programme for research and development in information technology
EU	Economic Union
EUA	European Union of Account
Euratom	European Atomic Energy Commission
EUREKA	European Research Co-operation Agency
EURO	Post-EMU European Unit of Currency
EURONET	Direct information access network for Europe (DIANE)
EVCA	European Venture Capital Association
FAST	Forecasting and assessment in the field of science and technology
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment
FEER	Fundamental Equilibrium Exchange Rate
Force Programme	EU programme for continuing vocational education
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
IATA	International Air Transport Association
IBRD	International Bank for Reconstruction and Development (World Bank)
ICONE	Comparative index of national and European standards
IDA	International Development Association
IDO	Integrated development operation
IEA	International Energy Agency
IEM	International Energy Market
IGC	Intergovernmental conference
IMD	International Institute for Management Development
IMF	International Monetary Fund
IMPACT	Information market policy actions
IRIS	Network of demonstration projects on vocational training for women
IRTE	Integrated road transport environment
ISIS	Integrated standards information system

IT	Information Technology
I-TEC	EU Fund for investment in innovative business
JEPs	Joint European Projects
JET	Joint European Torus
JHA	Judicial and Home Affairs
JRC	Joint Research Centre
Leonardo da Vinci	EU funding for vocational training
Lingua	EU action programme to promote foreign language knowledge
MAI	Multilateral Agreement on Investment
MCA	Monetary compensatory amount
MEP	Member of the European Parliament
MERM	Multilateral exchange rate model
MFT	Multilateral free trade
MISEP	Mutual information system on employment policies
MITI	Ministry for International Trade and Investment
MNC	Multinational Corporations
MONITOR	Research programme on strategic analysis, forecasting and assessment in research and technology
MTF	Merger Task Force
NATO	North Atlantic Treaty Organisation
NCI	New Community Instrument
NETT	Network for environmental technology transfer
NGO	Non-government organisation
NIC	Newly industrialising country
NIE	Newly industrialising economy
NIEO	New International Economic order
NPCI	National programme of Community interest
NTB	Non-tariff barrier
NTM	Non-tariff measure
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OJ	Official Journal (of the European Communities)
PETRA	Action programme for the vocational training of young people and their preparation for adult and working life
PHARE	Poland and Hungary: Aid for the Reconstruction of Economies (this abbreviation subsequently retained for aid schemes to Eastern Europe as a whole)
PPP	Polluter pays principle

PPP	Public-private partnership
PTA	Preferential trade area
QMV	Qualified Majority Voting
RACE	Research and development in advanced communication technologies for Europe
R&D	Research and development
R&TD	Research and technological development
RCD	Regional Co-operation for Development
RECHAR	EU retraining in coalmining areas
REGIS	EU retraining funds for peripheral regions
RETEX	EU retraining in textile areas
RIA	Regional impact assessment
SAP	Social action programme
SAST	Strategic analysis in the field of science and technology
SCIENCE	Plan to stimulate the international co-operation and interchange necessary for European researchers
SEA	Single European Act
SEC	Internal Commission General Secretariat Document
SEM	Single European Market
SME	Small and medium- sized enterprises
Socrates	EU programme for educational exchange
SPD	Single Programme Documents
SPERA	Support programme for a European assessment of research
TACIS	EU economic aid programme to the nations of the former Soviet Union
TARIC	Integrated Community tariff
TEDIS	Trade electronic data interchange systems
TEMPUS	Trans-European Mobility Scheme for University Studies
TEN	Trans-European Networks
TEU	Treaty on European Union
TNC	Transnational Corporations
TUC	Trade Union Congress
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development

UNCTC	United Nations Centre for Trans-national Co-operations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNIDO	United Nations Industrial Development Organisation
URBAN	EU retraining funds for metropolitan regions
UTR	Unilateral tariff reduction
VAT	Value-added tax
VER	Voluntary export restraint
WEF	World Economic Forum
VFM	Value for money
WEU	Western European Union
WTO	World Trade Organisation
YES	‘Youth for Europe’ programme (youth exchange scheme)

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