

Overture de ‘The New European Industrial Strategy: Companies and Territories’*

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Abstract

Europe needs an investment, employment and innovation strategy for new productions driven by the new needs of European citizens.

The economic recession of Covid 19 is determined by a collapse in aggregate demand and requires the relaunch of public but also private investments that increase production capacity and diversification towards the new productions required by the needs of European citizens.

The increase or the fall of the final demand for private consumption and investments tightly interact with the innovation and investments plans of the companies, with employment changes and with the impact on the natural and physical environment and on the citizen’s quality of life.

The international decline of Europe, especially of the Southern Eurozone, relate to a high loss of competitiveness, which results from the absence of a common industrial policy, and, on the other side, from the growth of global firms.

To address the new problems arising from the structural growth crisis that has characterized European countries in recent years, aggravated by the advent of the recent pandemic, however, a radical change in perspective is needed, giving the territory a new role.

Keywords: Industrial Strategy; Investments; Innovation; New Productions; Citizen’s Needs; Environment; University; NGEU; Territories; COVID-19; European Union; Global Competition; Global Markets

1. Overture

The growth of global competition, the saturation of numerous demands that have led many markets to a planned over-supply (with the disappearance of weaker competitors). More recently, the exasperated aim of oversized management in the biggest corporations (oblivious to social and economic macro-problems, such as climate change, social class squeezing, etc.) have generated rapid changes in the global competitive landscape.

Globalization produced a structural change in business networks. In this sense, one of the most important changes is the transition from multinational corporations

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(MNCs) to global networks particularly focused on management of innovation and creative imitation.

Today's competitive environments highlight global scale economies that are associated to the 'intensity of sharing' of the key resources found in a networked system, which maintains sophisticated competitive collaborative relationships. Many European companies meet significant challenges in establishing themselves in global economies because large-scale companies dominate these dynamic environments.

The international decline of Europe, especially of the Southern Eurozone, relate to a high loss of competitiveness. This competitiveness problem results from the absence of a common industrial policy and diverging political leadership within the Europe, and, on the other side, from the growth of global firms from emerging markets that have strongly increased global competition for the products of the Southern economies.

The lack of a strong global industrial policy, intended to develop European industries, is at the root of many unsolved problems such as the 'traceability' of products, manufacturing abroad, label transparency, etc.

The decline of international competitiveness of European companies began in the early 1970s and since then there has been no reversal of the trend. With the lack of planning and programming for large industrial enterprises, even small and medium-sized enterprises have in fact been abandoned.

The continuing weakness of political proposals and the lack of consideration of the socio-economic role of businesses have erased Europe's entire industrial policy, which has ceased to guide and maintain the international development of individual countries.

2. An Investment, Employment and Innovation Strategy for New Productions Driven by the New Needs of European Citizens

Europe needs an investment, employment and innovation strategy for new productions driven by the new needs of European citizens. Industrial strategy is back on the policy agenda in Europe, it is increasingly relevant at the national level, and it is broader than traditional vertical-sectoral plans or R&D and specific technology policy measures. Industrial strategy is also increasingly relevant even at the regional scale and at the European level, in tight complementarity with EU macroeconomic, monetary and fiscal policies.

The economic recession of Covid 19 is determined by a collapse in aggregate demand and requires the relaunch of public but also private investments that increase production capacity and diversification towards the new productions required by the needs of European citizens.

'Symphonya. Emerging Issues in Management' is publishing the revised version of the approximately 20 papers by well-known industrial and regional economists and other related disciplines that were presented at the online Forum organized on 8 July 2020 by the Group "Growth, Investments and Territory" on the topic of the "New European Industrial Strategy". The aim is to promote a technical-scientific discussion on the problem of the collapse of investments and employment and the too slow process of structural change in the European economy starting from the 2008/09 financial crisis. The need to define a "medium term strategy" indicates some alternatives of intervention for both governments and private companies in a medium

and long term perspective, not bound by specific and immediate institutional deadlines, such as the approval of the European Recovery Program.

The increase or the fall of the final demand for private consumption and investments tightly interact with the innovation and investments plans of the companies, with employment changes and with the impact on the natural and physical environment and on the citizen's quality of life, according to a "circular" model of development.

The Covid-19 crisis may represent the stimulus for a major diversification of the European production system. A New European Industrial Strategy should focus on the large latent demand existing in Europe for those productions, which could drive a large, public and private, intersectoral/horizontal "investment push" leading to the diversification of the Italian and the European economy toward to new modern productions with high employment and productivity.

Structural change requires the interdependent growth of various productions, as indicated by Nurkse's "balanced growth" theory (1961). Hirschman's "trickling down or polarization effects" (1958) and the "big push model" theory by Rosenstein-Rodan (1943). A new industrial strategy should not only expand the supply capacity of companies by reducing costs and increasing productivity, but it should also stimulate the consumer demand for new products and services, as that will create new markets and drive the investment effort by the companies, thus diversifying the European and national production systems. Therefore, the key instruments are not only technological innovation within the companies and sectors (i.e. the "supply side"), but also changes in the industrial structure of the economy and social and institutional innovations and fiscal incentives and regulations aiming to reorient the pattern of the final demand by the citizens, thus stimulating new innovative and sustainable productions.

In fact, it is crucial to define a rigorous methodology for selecting "operational projects", which takes into account the nature of the problem and the development strategy, which should enhance the various productions, and which involves the private companies, the various stakeholders and the European government at the national, regional and even local level.

These topics seem of particular interest:

- engage stakeholders and identify their relevant motivations, role, responsibilities and promote a collective process of interactive learning, aimed to share knowledge and to structured cooperation;
- define a medium term strategy based on the analysis of the problems at stake with specific reference to the economic recovery, the citizen's needs in a territorial dimension and the aim of environment sustainability and propose strategic recommendations and cross sectoral integration;
- implement specific policy actions, by integrating the medium term strategy with selected operative projects and by defining the governance and implementation requirements at the regional, national and global scale, including funding and monitoring of results.

The universities and the scientific associations have a key role not only in addressing the skills gaps through advanced education, but they can also support local and national companies and governments in the design of a medium–long term recovery strategy.

3. Territory Matters

With the expression “territory matters”, the role that the territory assumes in economic development has long been recognized. However, if there is a general consensus on this statement, the same cannot be said about how this role is carried out. From a careful analysis of both the theoretical reference models and the policies implemented, it is quite evident that the approach followed has privileged the supply side.

The first approach that has given importance to the territory is undoubtedly that of endogenous development, as opposed to exogenous development, which linked regional growth to the localization of external investments. Linked to this approach, the theory of endogenous innovation has highlighted how the introduction of innovations and their diffusion is linked to territorial inputs, underlining the role of specific fields (milieu innovateur, technological districts, and centres of urban areas) in this dynamic process

Even the approaches of models based on territorial competition have considered the territory from the supply side. The absolute advantages present in a territory determine its competitive capacity and its positioning in the international context.

These general approaches have logically affected the setting of industrial and regional development policies. The so-called place-based policies have in fact underlined the need for territories to develop by activating local resources. Similarly, the latest addition, the SSS -Smart Specialization Strategy highlighted the importance of encouraging local specializations to improve competitive positioning.

It is interesting to note that the approaches considered, both from the theoretical models and from the policy side, have the export led development model as a reference background, which considers only the supply side, giving the role of demand as exogenous.

To address the new problems arising from the structural growth crisis that has characterized European countries in recent years, aggravated by the advent of the recent pandemic, however, a radical change in perspective is needed, giving the territory a new role. It must be seen as the place where the demand for goods and services is formed to satisfy the new needs of citizen-consumers and, at the same time, where the supply develops in new sectors - markets capable of satisfying it. Furthermore, new productions, whether aimed at domestic demand or exports, must have a clear orientation towards sustainability, with specific reference to the UN 2030 Agenda. New investment projects, both public and private, will have to respond to some basic principles, such as:

- *principle of equilibrium*, i.e. the ability not to create polarizations and imbalances (gender, territorial, etc.)
- *principle of economic sustainability*, thanks to the strong intersectoral ties, the multisectoral and integrated character and the ability to attract private capital and forms of PPP;
- *principle of social sustainability*, thanks to the creation of jobs, especially for young people and women;
- *principle of environmental sustainability*, i.e. compliance with the indicators relating to the goals of the UN 2030 Agenda;
- *principle of synergy*, that is the ability to maximize the possible intersections between economy, society and environment;

- *principle of governability and effectiveness*, through the capacity of operating a synthesis between the desirability of the project (public and private interest), its share ability (ability to involve the various actors), and its feasibility (level of difficulty with regard to the procedures, time required and funds necessary).

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