Project
Left Industrial Policy / Productive Transformation for Europe

First Report – October 2014
1. Introduction

The intention is to bring together the different approaches and the project groups in a common working environment at the level of the European Left. This paper attempts to sum up the assessments of Axel Troost (Vice-chairman of DIE LINKE, Member of the Bundestag), the Brussels office of the Rosa Luxemburg Foundation, Gabriel Colletis (Professor for Economics and industry specialist), and Transform! Europe.

Ever since the outbreak of the crisis, the work on alternatives has been central for Transform! Europe. By launching an interdisciplinary and permanent working group of economists, trade unionists and historians (first meeting Rome September 2014), Transform! wishes to develop a project dedicated to a “Left industrial policy – productive reconstruction for Europe”, one of the key issues for the future of Europe.

The contribution to the debate on Europe’s productive reconstruction goes back to the creation of the Transform! Economists’ Working Group (TEWG) in 2013 in Paris. Shortly afterwards, the TEWG held two workshops on the issue at the 2013 annual conference of the European Association for Evolutionary Political Economy – an important European network of heterodox economists –, which resulted in the publication of a Discussion Paper.

At the suggestion of a European working group chaired by A. Troost, the Rosa Luxemburg Foundation in Brussels on October 16th and 17th held a workshop dedicated to industrial issues. It was the occasion for M(E)Ps, economists, trade unionists, political leaders – with the participation of Transform!

This document aims at presenting a first summary of the previous discussions, as well as the potential next working steps ahead of us.

---


2 Following up the work undertaken last year, the Brussels office of the Rosa Luxemburg Foundation held a two-day workshop dedicated to the assessment of the EU’s economic situation in order to lay the basis of a Left industrial policy for Europe. The Members of the Bundestag Axel Troost (Vice-chairman of DIE LINKE, member of the Bundestag) and Harald Wolf, as well as the former MEP Jürgen Klute (GUE/NGL) played a central role in the organization of the workshop. His former assistant at the European Parliament Hanna Penzer was present. Transform! Europe participated actively in the workshop. With the participation of Heinz Bierbaum (responsible for Europe and International affairs, Die Linke), Klaus Sühl and Roland Kukje (RLS Brussels), David Meienenreis (economist), Piotr Janisiewski (RLS Warsaw office); a Greek delegation (Alexis Charitisis - Syriza, Petros Linardos – RLS Athens and Savas Robolis – Labour Institut); Marisa Matias (Portugal) and Paloma Lopez (Spain), GUE/NGL Members of European Parliament; Joachim Bischoff and Björn Ratke (Sozialismus), Christian Pilichowski (unionist, France), Sigfrido Ramirez (historian), Maxime Renautoul, Elisabeth Gauthier (members of the Transform! working group)
2. Diagnosis – Few Elements

With overall weak economic performances that fuel the deflationary spiral and an industrial production rate that has not reached the pre-crisis level, the Eurozone is still facing a high unemployment rate in average – and is much less well sheltered from an eventual further deterioration of the economic situation than other world regions or the USA.

Given that the particular severity of the Eurozone crisis is due to factors related to the very nature of European integration, only a profound reorientation could open up prospects for emerging from the crisis. This assessment also applies to attempts at designing European industrial and investment policies. Austerity belongs to the problems preventing to exit from the crisis – not in any way to the solutions. In the most affected countries, one can see how dramatically harmful the nature of the « aids » is, leading to a sharp rise in unemployment, imbalances between social expenditures and tax revenues, public and private indebtedness, as well as declines in GDP.

As shown in the graph below, when it comes to industrial production the monetary union is far from having made up for the 2008 financial shock and the hitherto crisis management based on austerity policies and internal devaluations.

Other graphs show the growing internal disparities with regard to national industrial fabrics in the Eurozone, as well as the structural decline of the industrial share in GDP or the drop in the fixed assets investments.

The exiting of the European continent from stagnation will require an audacious investment plan capable of addressing the economic, social, democratic and environmental challenges ahead – in other words, a thorough productive-social transformation. “Without a strong industry, deeply transformed in its ends and its means, Europe will be unable to emerge from the present crisis and will not begin the economic, social and environmental an ultimately political evolution that, today, is urgently needed.”

---


4 See Annexes

5 Quote from the not yet issued Paper written by Gabriel Collettis: « For an Alternative Industrial Policy », September 2014
3. The Neoliberal Agenda For European Industrial Policy

The European Commission, for the last few decades, has turned it back on some policies undertaken in the 50s and 60s (Euratom, Ceca) and, strongly influenced by the neo-liberal theses, now prefers to support a perspective of unregulated movement of goods and services rather than the development of productive activity… The policy of competitiveness has, to all intents and purposes, replaced industrial policy. Regarding support for industrial sectors, this was virtually forbidden or, at least, strongly restricted for those States that wanted to help activities that they considered strategic.... This post-Schumpeter vision that makes technological change the preferred means of emerging from the crisis, also applies to the measures aimed at favoring the mobility of highly qualified people and the laws on intellectual property. There has, however, been little attention to the fact that technological change cannot occur without some matching social change being considered desirable. There has been little attention to recognizing the competence of the wage earners and their mastery of industrial skills. Innovation and technological change are perceived as if they were autonomous or bodiless dynamisms that do not need any outside action, “crafted” by those who work on it. In other words the human element is ignored… In consequence, this pseudo new industrial policy, quite logically, does not oppose but reinforces the so-called “structural” policies (not dealt with here) that aim at reducing the cost of labour and increase its flexibility. This overall perspective is, obviously in line with the application of the austerity policies, of which it is one of the foundations.”

After pushing to the margins the idea of a comprehensive European industrial policy – prerogative of member states – in favor of the competition policy and later the Lisbon strategy, EU policy makers brought it back on the table due to the severity of the crisis. Members of the European Parliament’s industry committee (ITRE) approved in November 2013 a plan to bring about a “Renaissance of Industry for a Sustainable Europe” (RISE)7. It suggests that industry should in the near future represent 20% of the GDP. The stated objectives are the increase in competitiveness and the industrial development in support of a sustain growth and to boost employment.

The European Commission took a step in the same direction with a communication on January 2014 calling for a “European Industrial Renaissance”8. More recently, the new Commission President Jean-Claude Juncker has been advocating for a EUR 300 billion Investment Plan, mostly to develop public infrastructures throughout Europe. He will have to present a strategic plan by the end of January – three months after that the new Commission takes up its position. Six sectors were already defined as strategic: automotive, aeronautics, engineering, space, chemicals and pharmaceutical industries.

« The investment program, while it enables expenditure in areas that are indeed important for Europe’s future, nevertheless is incapable, as it stands, of enabling Europe to undertake the working out of a new development model. The reason is that the fundamentals of this program are unchanged.”9

MEP Paloma Lopez (GUE/NGL, member of the Committee Industry, Research and Energy) recalled that it is of utmost importance to tackle seriously the content of the recovery plans that are being discussed, so that their weaknesses can be revealed, and that the Left could deepen its construc-
tive criticism and avoid traps in the developing of its own project. For instance, the new European Commission should look into a possible partnership between the European Central Bank and the European Investment Bank for funding its investment plan – rather than into the European Stability Mechanism. From a Left perspective, even if initiatives such as Juncker’s are welcome, the total amount is too small to really make a difference. Spain does not only need 300 000 new jobs. It needs 3 million of them. Moreover – and just as the previous attempts mentioned above –, investment is coupled with the further implementation of austerity and structural reforms, as well as internal devaluation and the design of an export-led growth model. What is given with one hand is taken away with the other… Labour force is still considered as a cost, which does not bode well for domestic demand and improvement of workers’ skills; no serious move towards the ecological transition is at sight; the financialization of the real economy is being completely ignored, and so are issues related to economic democracy.

**MEP Marisa Matias (GUE/NGL)** notes that in the debate on European industrial policy, competitiveness is once again at the core of the discussions – and from the sole perspective of the employers. A Left approach of this « competitiveness » challenge must be developed. In Portugal, different views on European policies are in competition with each other: pro-business communities are content when the profit rate rises and when the social model goes downhill. From the point of view of the domestic economy’s most important sectors (SMEs, wine production, shoes production), one can notice withdrawal attitudes that do not foster struggles. The European structural funds experience have left a bitter taste in so far as activity sectors were merely wiped out (« restructuration ») and structural funds-financed infrastructures did not solve transportation and employment problems.
4. Alternatives – Principles Of A Left Industrial Policy / Productive Transformation For Europe

A policy change breaking with the current logic is necessary.

It is not a regular investment program that is necessary, but a program with new dimensions. Considering the great urgency – including that of politics, with the progression of far right political forces –, the mobilization of European funds and public investments would have a positive spillover effect on private ones and would therefore help boost real economy. This would be a major step in reversing the current logic’s trend, providing new conditions for social change and opening up prospects for a productive transformation. A real European industrial policy can represent a real alternative to the present industrial pseudo-policy only if it is drawn up in the perspective of a new development model.

4.1. Putting an end to austerity policies is a priority to escape from economic stagnation and to start creating a dynamic, a springboard allowing to relaunch constructive policies. That being said, immediate measures must be taken to provide a way out of the economical and political impasse – starting with the end of austerity programs. Six measures would hence pave the way to the implementation of a progressive EIP. A. Troost named his presentation accordingly: “austerity is the cause, not the solution for the European economical crisis10”. The immediate end of “austeritarian”-oriented policies as pre-condition of all crisis exit strategies for the EU. The financing of the public budget must be uncoupled from financial markets. Public debt cuts for over-indebted states, together with a European wealth tax to reduce public debts to a tolerable level. A strong regulation of the banking sector putting banks back at the service of real economy, together with a restriction of out-of-control financial products. Elimination of external trade imbalances: surplus countries must increase their domestic demand. Instead of destructive savings, relevant investments in the future are needed. For this particular point, the questions of their selection and prioritization are open – but following crucial sectors enjoy wide consensus support in the Left: education/training, transport infrastructure, local expenses, energy transition.

4.2. A EUROPEAN industrial policy? What for? Industry has been a major focus of European integration (energy, coal, steel, etc.) from its origins, although considered as part of national competencies. In the debate within the Left, some do not wish to go further than the « national industrial policy » option, or – at best – to an addition, or even a coordination of national policies. But the state of the crisis (in Europe and in the world), its causes and its consequences, together with contemporary issues (energy, ecological transformation, etc.) require today political interventions of a new scope. In other words, given what is currently at stake (social and ecological transition, energy, globalized economy, etc.), but also due to the important backwardness with regard to investment – and this also applies to Germany –, no country can face these challenges alone.

But the ongoing policies must urgently be re-oriented. The European cohesion policy, second largest EU budget (ca. € 50 billion per year) after the Common agricultural policy, did not match the anticipated outcomes. It must therefore be reoriented, in the light of the growing asymmetry. The next negotiations on the EU budget must be offensively used to define new criteria and provide appropriate means for a new orientation (Jürgen Klute, former MEP – GUE/NGL).

If massive structural funds enabled many state members to develop their infrastructures (notably

---

10 Link to PPT presentation (German):
highways, airports, etc.), or regions or municipalities to set up relevant projects, they did not lead to a significant and sustainable development of the concerned countries’ economic potential.

Regarding the implementation of PPPs (private-public partnership), it turned out that numerous countries’ Court of Auditors observed important extra costs at the expense of public finances. The British parliament even initiated a committee of inquiry on these abuses.

Concerning Europe-based transnational corporate groups whose strategy is geared toward the world, it is necessary to explore the conditions of their constructive inclusion into a European industrial policy (E. Gauthier, Transform ! Europe).

4.3. Another fundamental issue lies in the nature of the strategic options (S. Ramirez, economic historian and Transform! project officer). It is about defining priorities. Their underlying principles – for whom? According to which criteria, values and orientations? – will have to be discussed and debated. What strategic industries (e.g. energy, what approach on the arms industry? etc.) What « planning tools »? What institutions (an EcoFin for industry? New agencies?) Is another use of already existing institutions possible and desirable?

To be efficient, public authorities’ interventions must be differentiated. Two approaches can be distinguished in this regard (H. Bierbaum, the Head of the international section of DIE LINKE): in countries with a solid industrial fabric (e.g. Germany), it is about giving impetus to social and ecological transformation; in declining countries, the reconstruction must be put at the top of the political agenda. In the countries most severely hit by the crisis, the needs are high for rebuilding the production capacities and the whole circuit of value chain. This must be done within countries, but also between countries and regions – having in mind their specific features.

Regarding future investments, priorities should be defined in differentiated manner, from criteria taking into consideration the regions, the needs, the different existing industrial sectors, the necessary fostering of research and development, trainings, etc.

Differentiated regulations are therefore crucial with regard to exchanges with the rest of the world and within the Eurozone (H. Bierbaum) in order to reduce the pressure exerted on the weakest – issue that the protectionist (ideological) approach fails to address. The overcoming of the strong asymmetry must become a major European goal (S. Robolis, Labour Institute), which implies a set of targeted interventions that will put an end to the very idea of laissez aller in the allocation of financial resources (P. Linardos, RLS Athens office). Recovery efforts must enable countries with trade deficit to immediately meet internal needs, so that a boom in imports would be avoided (A. Troost). International trade agreements, such as the TTIP, would compromise any effort of reconstruction.

4.4. As Joachim Bischoff (economist and co-editor of the Hamburg-based journal Sozialismus) put it, an alternative conception must envisage simultaneously a domestic market-oriented growth in all EU countries. Export policy cannot be a priority under today’s conditions. Concretely, this means expanding and modernizing public infrastructures; increasing the employment rate; creating more and better jobs, especially for women, young people and older workers; enabling people of all ages to anticipate and manage changes through investments in skills, as well as in education and training; modernizing labour markets and social systems – so that growth can benefit to the EU as a whole.
A Plan for Reconstruction, Innovation and Ecological Transition requires investments whose overall aim is not the sole financial profitability. The ECB alone cannot solve the Eurozone’s problems. That’s why a comprehensive strategy is necessary – that is, a Mix composed of monetary policy (ECB), a European investment fund, a more expansionary fiscal policy for the EU and the member states, as well as structural policies (J. Bischoff).

4.5. A plan for reconstruction must be based on a massive stimulus package, in which public investments would play a central role – see the DGB’s “Marshall Plan for Europe”, the ETUC “New Path for Europe” or the industriAll’s “Manifesto to put the Industry Back to Work” (H. Bierbaum). It was made clear that internal disparities had been sharpened by the austerity-based crisis management, and that structural differences regarding the industrial fabric (not only Core-Periphery, but also among Southern EU countries themselves) must be taken into consideration, so that useless and ineffective generalizations can be avoided.

Re-launching industry, working towards productive transformation requires a comprehensive and consistent approach in terms of «productive systems», and a clear set of priorities. The European Commission’s conception of industrial added value is far too inadequate. In the first draft of a soon to be published Transform! Policy Paper, G. Colletis lays the groundwork for a EIP fitting into a new development model. He starts from the premise that Europe is facing much more than a growth problem and that emerging from the crisis will take much more than a few cosmetic changes. This new development model has two essential characteristics. The first is that it should become the business of the peoples themselves. In other words, “democracy is not the framework or pre-condition of a new development model but its first meaning and its end.” The second characteristic is a profound modification of how productive activities – and labour – are perceived. This raises the questions of the selection and prioritization of productive activities in the framework of a massive investment plan. The degree of (high) social usefulness and (low) negative externalities should be at the core of a methodology enabling social and political actors to select and prioritize the productive activities of a new development model. The Left must address the questions related to this methodology as accurately as possible, since all other industrial policy approaches from across the political spectrum neglect this highly important challenge in terms of democracy.

4.6. Democracy – whether at the workplace or in the policy-making process – is crucial to overcome the Troika’s authoritarian management, and must therefore be the guiding principle of the Left proposals for a European industrial policy (EIP), argues Heinz Bierbaum. Reconstruction strategies must be designed collectively, between European institutions and partners/driving forces of concerned countries. The employees and their representatives must be included into the framework of a new social democracy, which raises the question of company and transnational corporate governance.

4.7. The energy issue is crucial for productive reconstruction, competitiveness, social and ecological transition, and for fighting asymmetries in Europe. Some plans failed, such as the solar plan in Greece – and lessons must be drawn. Efficient innovation does not only imply technical skills, but also social ones. Greek territory’s specificities would allow for «another plan» than the one currently failing (A. Charitsis, SYRIZA / Energy department).
5. Challenges For The Left

But that as it may, Sigfrido Ramirez reminded that the Left should watch out not to fall into several traps with regards to its elaboration of a EIP. The first one is the ecological trap, best embodied by green capitalism and parts of the European Greens’ project of “Green New Deal”. The second one is the right-wing criticism of the very principle of public firm and state planning. The third one is the technocratic method without the development of democracy. It should be clear that states would play a crucial role in the democratic planning of productive activities for the common good.

Another trap – or rather a failure – concerning previous and current attempts to boost industrial activities was described by Christian Pilichowski (former head of the International section of the trade union CGT). Namely the sole inclusion of employer representatives in so-called national conferences dedicated to the assessment of the industrial decline in France and to proposals aiming at reversing the trend, leaving the workers aside – together with their skills and ideas for a better industrial policy. It resulted in the design and implementation of profit-maximizing solutions proposed by and for employers, without any conditionality whatsoever in terms of productive investments or increase in wages. If this debate is particularly important for French industry that fell off to the third place in Europe and whose 49% of its manufacturing goods’ imports come from the EU, valuable lessons can be drawn regarding the weaknesses of a top-down approach that does not involve the industrial workforce. The recognition of workers skills and significant increases in wages must be one the pillars of a Left EIP.

The Greek case benefited from a special coverage, given the structural problems of its industrial fabric and the chances of victory for SYRIZA in case of early national elections at the beginning of the coming year. Alexis Charitis presented the party’s plan for the social and productive transformation of the country. Before doing so, he stressed the necessity not to adopt the agenda imposed by political opponents. The economic/development program is based on three main pillars: confronting the humanitarian crisis, restructuring of production, reforming the state and public administration. The first phase, to be implemented immediately, consists of confronting the humanitarian crisis with short-term measures: increase in wages, pensions and unemployment allowances matching the pre-crisis level, restoration of more protective labour legislation and healthcare, extensive program for housing and feeding those in need. The second phase, actually ensuring the productive and social transformation, depends on a deal regarding the sovereign debt based on cuts in its illegitimate part and a moratorium period during which the payment of the rest of the debt will be linked to a development clause. The role of labour will be upgraded, public goods and public properties will be key factors of the program – which imply a reconfiguration of the role of the state and a redistribution of wealth –, SMEs must be fostered and the potentialities of the social and solidarity economy must be developed – notably to respond to the youth employment needs and avoid a further “brain drain”. Petros Linardos (RLS Athens office) and Savvas Robolis recalled that to address the economic collapse, the framework of this program should feature as part of another development model. It is the only way for the Left to distance itself from the obsolete supply-offer models used by both neoliberals and social-democrats, and to efficiently contribute to the creation of a new welfare system in Europe.

The Greek case exemplifies the need to implement a DOUBLE STRATEGY for devastated national economies: addressing immediately the humanitarian crisis, while interlinking this first measures with a transformative project of the economic and social model in a new democratic impetus.

If SYRIZA would come to power, it would not only be a chance for Greece, but for Europe as a whole – and also a challenge that the European Left
will have to take up. It will be necessary to show that SYRIZA program is actually the program of all those in favor of a clear break with austerity policies – and its implementation, a step forward for the peoples of Europe. In order to counter the isolation of Greece if necessary, it will be of the utmost importance to engage in this European confrontation with attempts at modifying the balance of power in every EU country. This would be the most efficient form of solidarity with SYRIZA and Greeks’ majority choice.
6. WORK PROJECT

The debate on the “alternatives” (reindustrialization, industrial renaissance, productive reconstruction / transformation…) is gaining weight and relevance. It takes up a wide range of issues – such as those of social models, competitiveness in the EU, “core” / “periphery” divides, new cooperation and division of labor in Europe.

There is, of course, a gap between the different ways of understanding the root causes of the crisis within European unionism, the same goes for NGOs or political organizations. Consequently there are as many solutions as different ways of understanding the genuine reasons that led to the crisis. The announcement of a new European policy can be considered as a first out of the mobilizations of social forces in Europe. This opens up a wider space to be undertaken by the Left forces.

The aim of the working group launched by Transform is to create a space where economical experts, unionists, researchers, social and political actors, political foundations’ officers, relying on their own analysis and experiences, will jointly:

- produce policy papers to contribute in the ideological struggle
- produce operational papers to help out ongoing social and political struggles

The following issues seem relevant and should be studied in-depth:

- rethinking Labour, while improving and recognizing workers’ skills
- rethinking the firm by setting the “production of goods and services” as the “raison d’être” of a company, while changing the management by giving to the workforce a true role/responsibility in the governance body of companies
- what social command, at micro and macro levels?; developing democratic economy concepts, and democracy inside companies (countrywide, European wide, globally);
- meeting social, cultural, economical human needs, while protecting the environment
- designing alternatives to investments whose overall aim is the sole financial profitability
- proposing public investments useful for societies and real economy
- anchoring productive activities in local territories by developing cooperation between companies: contractors and local suppliers for ex
- developing reconstruction projects for (notably) the European south
- studying specific problems of Eastern and Central European countries
- initiating a reflection process on the six strategic sectors taken into consideration by Juncker: studying cases related to ongoing struggles
- deepening the issue of the relation between industry, reconstruction and energy
- deepening the question of « what research for what industry / reconstruction? »
- changing the globalization by shifting from competition between peoples and territories to cooperation and technologies sharing. New rights for EWC or a mandatory body representing the global workforce in a Multinational company something like a Global Works Council
- fighting free trade/ trade-partnership agreements
- developing an alternative and credible discourse on the issue of competitiveness
- exploring possibilities to gather together political forces available for alternative options

To sum up, we have to imagine a new development model, respectful of human being, respectful of nature; providing good, quality jobs; securing citizens’ lives all over the world. Our ambition is to enhance our voice with this project, on the basis of the quality of the results, the cooperation between different stakeholders and the organization of a permanent working process (and not only of “events”).
Next steps

• Transform will organize the next workshop in Paris, December 8th and 9th
• The next workshop should result in a joint document, to be presented at the end of January – at the time of the publication of the European Commission’s project
• A booklet will follow, allowing for a deepening of different issues
• These texts could be presented as contributions at the occasion of numerous events throughout 2015 (conferences, forums, etc.)
• Another workshop is scheduled for Spring 2015 in Brussels, at the initiative of Axel Troost and the Brussels office of the Rosa Luxemburg Foundation

Written by Maxime Benatouil – Elisabeth Gauthier (Transform! Europe)

Contact: benatouil(at)transform-network.net
ANNEXES

1. SELECTIVE BIBLIOGRAPHY


Colletis Gabriel, “An Alternative European Industrial Policy?”, in *Transform! Yearbook 2015, No.1 (To be issued in December 2014)*

Obadia Alain, “L’industrie au coeur du projet communiste”, in *La Revue du Projet, No.36, Avril 2014*

Papadopoulou Elena, “Strategic Objectives of a Plan for Productive Reconstruction”


Ramirez Sigfrido & Benatouil Maxime, “From Industrial Policy to a European Productive Reconstruction”, *Transform! Discussion Paper, No.3, March 2014*

Troost Axel, “Ein europäisches Recovery Plan”, in *www.axel-troost.de*


ETUC, “A New Path for Europe”, November 2013

IndustriAll, “Manifesto to put the Industry Back to Work”, Spring 2014
2. GRAPHS – Joachim Bischoff

SHARE OF THE INDUSTRIAL SECTOR, in per cent of gross value added
Germany, Japan, Italy, UK, USA, France

PROPORTION OF INDUSTRY PER COUNTRY IN GROSS ADDED VALUE
(1980-2010)

Abbildung 5 Länder-Industriequoten nach Wertschöpfungsanteilen 1980-2010

Source: Bruegel on the basis of World Bank and OECD.
SHARE OF THE MANUFACTURING SECTOR (without construction) IN THE GROSS ADDED VALUE
Germany, Italy, EU 27, UK, France

PRODUCTIVE INVESTMENT AS A PERCENTAGE OF THE GDP
USA, France, Eurozone, Italy, Germany
transform! europe
Gusshausstrasse 14/3A, 1040 Vienna, Austria
Phone: +43 (0)1 504 66 86, Fax +43 (0)1 2533 033 2683
Email: office@transform-network.net

Partially financed through a subsidy from the European Parliament