BASQUE INDUSTRY: THE MOMENTUM

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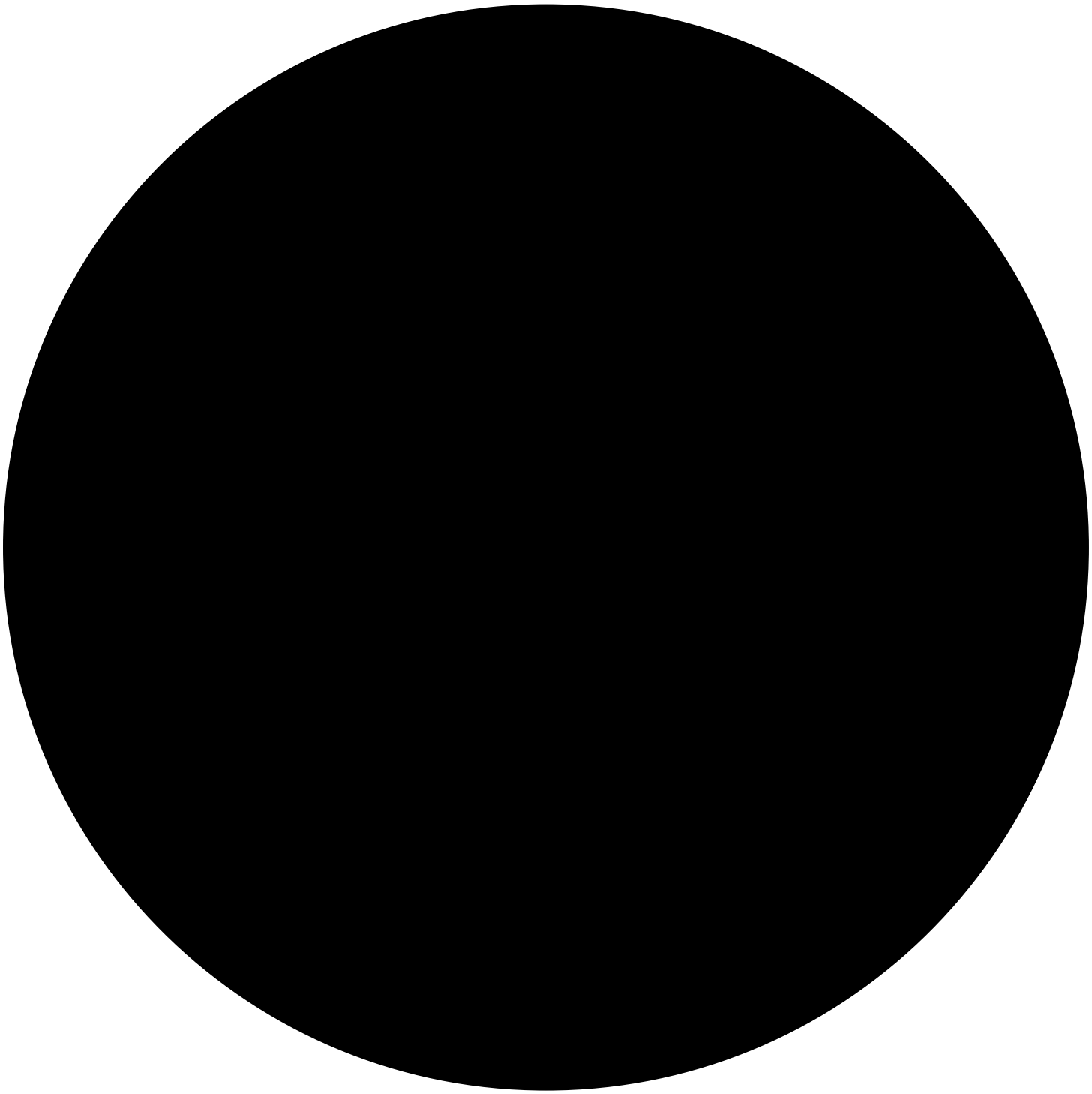
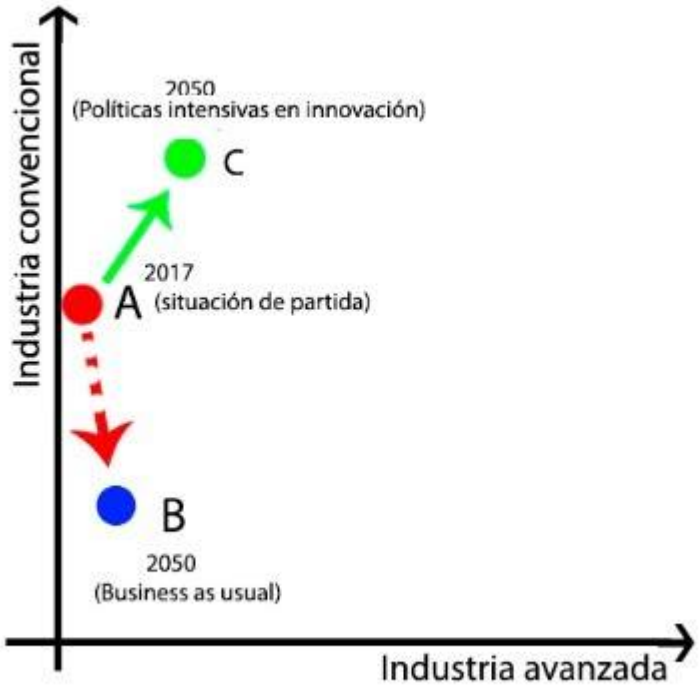


us a new industrial paradigm with **two clear axes**. The first, continuity of the current one, will be characterized by the **search for economies of scale**, taking advantage of the cost advantages of mass production and the globalization of value chains. The second axis will be led by the promising advances in advanced manufacturing technologies which, together with advances in digitization, make **industrial business models with smaller production scales** more and more feasible in which the behavior and maintenance of the product during its useful life are complements of the design and manufacture itself, in the contribution of value.

At a global level, it seems logical to think that the first of the axes will be the dominant one in the new industrial model, but surely the second, although it is still in its initial stages today, will have increasing weight and importance. Just by way of example, let's think about the disruptive options that **additive manufacturing** opens up, together with the advanced digitization of industrial processes to “print” and assemble products in smart manufacturing networks made up of small manufacturing plants. production connected and capable of adapting to the demands and tastes of the market. But this is just one example of the wide range of technologies with disruptive potential to revolutionize the design and production of industrial goods: **advanced composites** and **nanotechnologies** in the field of materials, advances in electronics with the development of new

generations of **sensors and electronic components** with infinite and transversal applications, **robotics** and advanced machine tools for intensive automation of processes, **bioengineering** and **biomanufacturing** in areas such as food, chemistry, materials, health, etc. All of these technologies that, together, suggest a new industry whose future potential we cannot even imagine well today.

In this context, **the key question for the new industrial policy is where and how to position itself with respect to these two axes** (conventional industry/advanced industry), depending on where you want to be or what is the same , what type of industry to have in the country, some policies or others will have to be deployed.



If we think of the **Basque Country**, its **current situation** could be represented by point "A" with **19% of the total Basque GVA in the conventional industry axis and "0%" or practically "0%" in the second of the advanced industry axes**. This situation is the result of a structural and underlying trend of loss of industrial competitiveness in the Basque Country. In **1995**, the Basque economy was the most industrial-intensive among the EU countries (manufacturing industry was **28.1% of the total GVA**), with more than 1.5 percentage points ahead of Slovakia, which occupied the second position in the ranking, and more than 6 percentage points above a reference economy such as Germany (22.1%). Just before the crisis (in the first four months of 2008), the weight of industry in the Basque Country had already dropped considerably to 24.5% of GVA, it had given first place to the Czech Republic and the difference with Germany had been shortened to 2.4 percentage points. **The crisis has a hard impact on the industry of European countries, but in a very particular way on the industry of the Basque Country** which already in the early stages of the crisis lost the barrier of 20% of economic weight, staying around those terms until today. Together with Luxembourg (-44.5%), Finland (-36.9%), Malta (-25.2%) and Sweden (-21.5%), **the Basque economy (-18.8%) is among the economies in which industry has lost the greatest economic relevance since the start of the crisis in 2008**.

In view of the data, it seems logical to think that **the trend (business as usual) would lead the Basque Country in 2050 to a situation like that represented by point "B" with a weight of conventional industry substantially less below 15% and very testimonial growth in advanced industry. At present, however, the Basque Country has an economic policy in place that is committed to industry and, in a particular way, to advanced industry so that it serves as the main lever to change the observed trend and move towards a point such as "C ", in which the position in the conventional industry is recovered and progress is made steadily in a process of intelligent diversification that takes advantage of the new industrial paradigm.**

Advancing in conventional and advanced industry requires differentiated paths, but which converge in demanding business innovation. On the one hand, **innovation to make a differential and qualitative leap in productivity** promoting the design and implementation of advanced digital

technologies for simulation, 3D vision, analysis, collaboration, etc. to drastically and radically transform the efficiency of industrial processes; **what has been called industry 4.0. or digital manufacturing**.

Secondly, innovation and transformation of business models, to provide differential value in links of the value chain, such as R&D, design, marketing, or commercialization < strong>in which the competitive factor is more in the hands of technology and the talent of people and not so much in operating costs.

Finally, disruptive innovation based on the development and implementation of new knowledge and emerging technologies, for the market launch of new generations of industrial products in which the Basque Country can deploy new global competitive advantages.

The balance in these types of innovation and its drive to sustain it over time will require **a solid commitment from the competent public administrations, the proactive participation of companies and the participation of scientific and technological agents** that, Together with other actors, they make up the innovative ecosystem of the Basque Country. An ecosystem that will have to be able to invest with vision and beyond what the market demands in the short term and collaborate and share resources, talent and projects to multiply its potential and achieve results that are unattainable individually. Naturally, the potential for public-private collaboration of the innovative ecosystem is important for all types of innovation, but it unleashes its full potential and is essential for the most daring business models and the most emerging technologies in which the path towards market is more uncertain, but expects a richer reward.

The prosperity and progress of the next generations is in the hands of knowing how to articulate a powerful, competitive industry prepared for the challenges of the future. We have to innovate to take advantage of what we already have and to design the future that we imagine and need.

by Iñaki Barredo, economist and partner at Naider

There are no comments yet.