

EUSKADI AN INDUSTRIAL COUNTRY. UTOPIA OR REALITY?

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Can the industrial strength of the Basque Country be maintained in the next decades? The official speeches answer the question in the affirmative and conspire to enhance the character and industrial potential of the Country. Reality requires us, as always, a much finer and more nuanced analysis:

Following the pattern of developed countries(*), industry in the Basque Country has progressively lost economic weight -it has lost around 6 points of GDP since 1995; see graph- and it is more than likely that this trend will continue in the near future, because as our level of development logically pushes salaries and operating costs up, the greater the tension to maintain in the Territory manufacturing processes and, in particular, the most labor-intensive ones whose global price competition is extremely tough.

Graphic. Evolution of the Industrial GDP of the Basque Country (% of total)

 Eustat source

In this dynamic of global competition, internationalization is being the clearest bet of the main Basque companies that, either through production establishments abroad, or through commercial and manufacturing agreements with local partners, are taking advantage of the conditions offered by emerging countries to consolidate your business positioning. This is the case, for example, of Mondragon, which already has 105 production subsidiaries in the world and which in the last year has made important production and commercial investments in different countries, among which China and India stand out ([see report 2012](#)). But, this overwhelming and, on the other hand, unstoppable logic of individual companies, which seek corporate strategies to optimize costs governed by global competition, creates jobs mainly abroad, but not many in the Basque Country, as we have been observing in the statistics.

But in addition to this unstoppable globalizing trend, which will intensify because it has only just begun, other very interesting currents are looming on the horizon that have the potential to change the course of history. This is what some have dubbed the "digital industry revolution." In this new industry, software technologies such as "Big Data" or the "Internet of Things" join the great advances in manufacturing in fields such as robotics, advanced materials, sensors, nano and micro manufacturing, bio-industry, flexible electronics, additive manufacturing ..., and the doors are opened to new forms of manufacturing that are more capital-intensive and more automated in which the cost of labor will surely take a secondary place.

This technology of confluence between the physical and virtual world is what really opens windows of opportunity for the Basque Country, which could take advantage of its tradition and know-how to strengthen its position within the framework of European industry that has the potential to re-emerge in a privileged mode in this new paradigm. The advances of the "digital industry" can make feasible what today is authentic "science fiction": manufacturing processes on a small scale, favoring business models in which both manufacturing and the market could be oriented in terms of niche< strong>: *high-tech industrial boutiques for specific clients, naturally integrating technology-intensive services and advanced manufacturing.*

So regarding the initial question I have no choice but to go off on a tangent and answer with another question: Will we be able to take advantage of this new technological potential in the Basque Country? Because just as traditional manufacturing inevitably follows cost savings and there we show obvious signs of exhaustion, ***the new digital industry will be driven by talent and innovation*** and in this field we remain in a fairly stationary state; I at least do not glimpse on the horizon, both business and public, the conviction and determination that is observed in the leading

countries: you only need to take a look at the graph and ***see which countries invest the most in R&D than us and which ones invest less...***

Graphic. Investment in R&D per inhabitant 2011. Basque Country Index = 100