

MANUFACTURING AND SERVICES. TWO SIDES OF THE SAME COIN

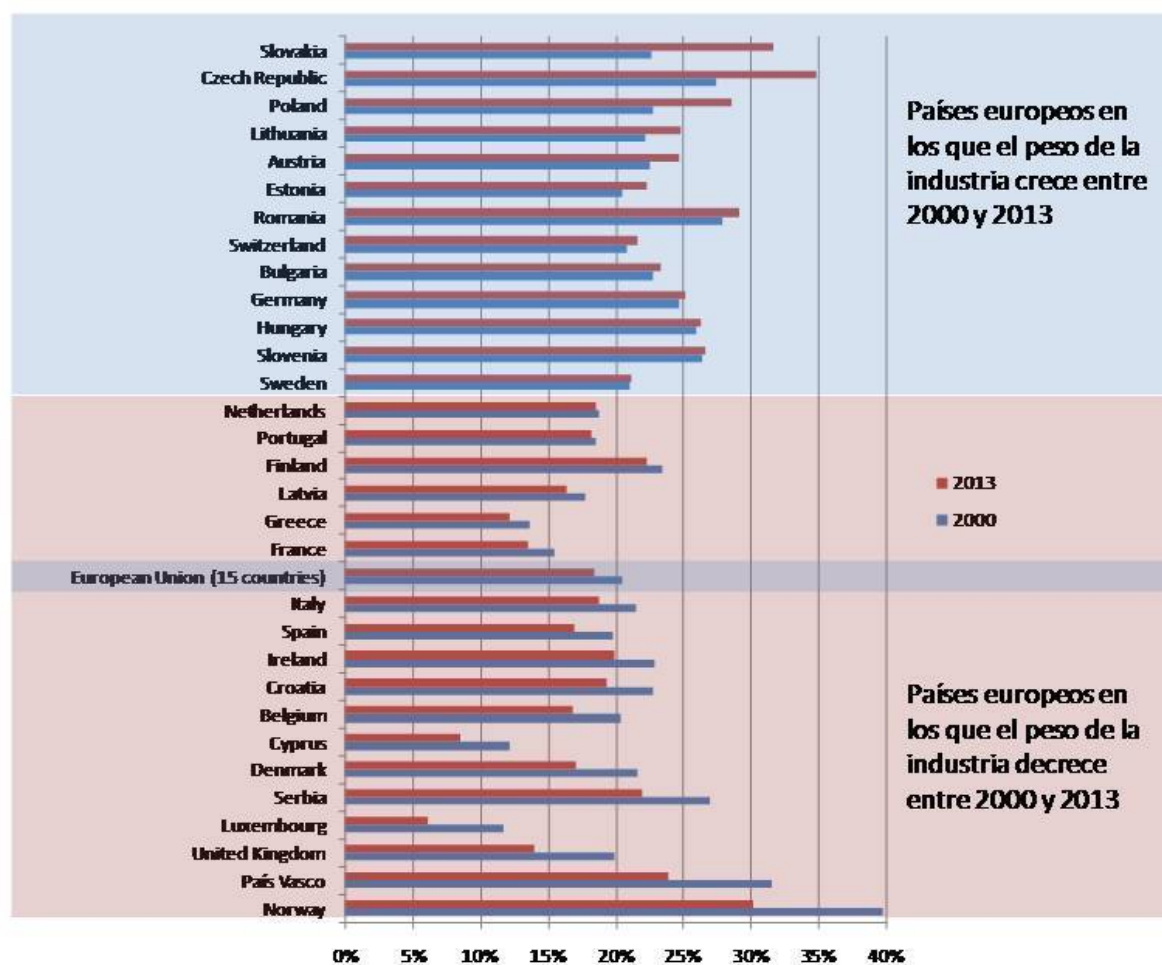
Posted on 20/04/2015 by Naider

I think that the commitment of the President of the European Commission, Jean-Claude Juncker, to [“maintain and strengthen a base solid, high-performance industry for the internal market”](#).

Undoubtedly, it sends a very powerful message that, accompanied by appropriate policies, can change the economic landscape of old Europe.

The drop in the weight of industry that characterized the last decade of the 20th century consolidated in the early years of the 21st century (it went from 20.5% of GDP in the year 2000 to 18.5% in 2013 in the EU 15). . Many factors are hidden behind this trend, but one very unique and relevant one is the increasing loss of competitiveness of European manufacturing with respect to emerging countries, which has caused a large part of manufacturing to progressively move (especially products that are transported quickly and low cost) to these environments, which have substantially lower labor and operating costs (the US 28 manufacturing trade deficit with China nearly tripled from 2002 to 2012).

Evolution of the industrial weight of European countries between 2000 and 2013



Source. Eurostat and Eustat for the data from the Basque Country.

Can Europe break this trend? Can you recover the lost industry? Many forums and pressure groups believe that it is and recommend active reindustrialization measures aimed at reducing the growing transaction costs that European companies bear compared to those of other environments with which they compete (less bureaucracy, greater legal certainty and more competitive energy). . In my opinion, however, these are overly short-sighted recipes that will not make the industry thrive as we need. Because the structural question is not so much in fighting for the industry that has left and will hardly return, but in the one we have and that already competes with guarantees in the global market, to promote and develop it and consolidate a sustainable and lasting leadership

To this end, it is not a question of a mistaken struggle between industry and services, as industrial policy has often been presented in the past, but of strengthening the industrial system understood as “**ecosystems of industrial products**” that integrate to all agents that add value throughout the life cycle. This includes the manufacturing and transformation processes, which are the ones that the statistics collect as an industry, but also a whole battery of tertiary processes (design, engineering, R&D, innovation, marketing, commercialization, logistics, maintenance...), with a growing weight in the value of the final product, and on whose adequate articulation and dynamism the global competitiveness of the whole depends.

In this line, Europe has many good alternatives to strengthen its industrial tradition, taking advantage of the potential of its business structure that unites the presence of great global champions in multiple sectors, a vast network of industrial and service SMEs that actively collaborate in the value creation. Likewise, strengthening "industrial ecosystems" is also a way to accelerate the introduction of both process and product innovations and to incorporate new business models that quickly adapt to the demands of the global market, leaving aside competition based exclusively in prices.

In short, Europe's industrial aspirations have to look far beyond manufacturing itself to consolidate its leadership. **Manufacturing and advanced services are engines that have to advance in sync to feed a modern and competitive industrial system that makes the most of new technologies and human capital.**

In this way, sharing the objective proposed by the European Commission of commitment to industry, it does not seem appropriate to measure it, as proposed, based on the indicator of the weight of industry in GDP (20% in 2020), because it does not. It captures the essence of the strength of European industry reflected in the idea of industrial product ecosystems. To measure it correctly, it would be necessary to either add a good part of the activities that are called knowledge-intensive sectors (KIS), reaching two-digit breakdowns of the classification of economic activities (NACE Rev 2, which already performs [Eurostat](#)). Or go towards more selective indicators that measure the type of industry we have based on its technological intensity or other parameters related to innovation.

There are no comments yet.