

De-industrialisation may wipe out Europe's innovation capacity

The European Association of the Machine Tool industries, CECIMO, launched its **'Study on the Competitiveness of the European Machine Tool Industry'** with a roundtable meeting at the European Parliament on 21 March, which brought together industry and Members of the European Parliament (MEPs). Prepared by a voluntary group of industrialists coordinated by CECIMO, the study provides a comprehensive snapshot of the European machine tool industry in the post-crisis era.



Michael Hauser, Vice-President of Cecimo and CEO of Tornos

The event was titled: "Made in Europe? Challenges facing the EU's machine tool industry". The findings of the CECIMO study reveal that the share of European machine tool production has been in decline over the last decade, owing mainly to the shift of markets to Asia. ***"Driven by the rise of China, Asia has become truly 'the factory of the world' over the past decade. Today, Asia consumes more 66% of the world's machine tool production and China alone absorbs 50% of this. The share of European consumption in world consumption has dropped from 40% to one fifth over the last decade, the share which was obviously lost to Asia"*** explained Michael Hauser, Vice-President of CECIMO, CEO of Tornos S.A. to MEPs present in the meeting.

"Mission impossible"

Machine tools are the basic building blocks of the industrialisation of a country. Emerging countries increasingly invest in production systems provided largely by the European machine tool industry to build up their manufacturing base. ***"This is good news for our companies as their exports to China and Asia are booming. However, the bad news is that our customers relocate outside Europe and we are forced to follow them to other markets. Expanding to Asian markets is almost 'a mission impossible' for an SME employing a hundred people"***, the CECIMO Vice-President stated.

The CECIMO study also highlights that machine tool companies need to stay close to their customer base to embark on joint innovation projects with them and to set up effective channels for sales, distribution and business services (e.g. maintenance and repair). SMEs, which cover more than 80% of European machine tool companies, are lacking the human and financial resources to expand internationally, but also they are deprived from management competences to cope with risks in unpredictable markets in emerging countries.

Lifblood of innovation

In many growing countries, the level playing field is severely distorted by political practices comprising market access barriers, intellectual property rights risks, indigenous innovation policies and activities of large state-owned companies. The market access for European imports is being restricted as soon as they can supply the imported technology domestically. It is likely that this trend will continue. Such practices risk, firstly, condemning European suppliers to a small niche market of high-end products and secondly, they risk gradually disconnecting them from customers which relocate in these markets. ***“Cutting off the ties between a machine tool builder and its customers means not only crippling sales, but also cutting off the lifblood of innovation of that company”***, stated Mr. Hauser.

Mr. Filip Geerts, CECIMO’s Director General, states: ***“Losing the machine tool industry, a key enabling sector, would mean losing the capability of making ‘next generation products’ and building the future European economy. If Europe became dependent on production technology and know-how import, this would be***

the final blow to European manufacturing, leading to the total de-industrialisation of Europe”. The CECIMO study stresses that Europe needs to keep the manufacturing know-how generated by the machine tool industry by keeping manufacturing in Europe. This is a prerequisite to master industrial innovation and to benefit from first-mover advantages to produce fuel efficient cars and airplanes, renewable energy generation equipment, medical equipment for an aging society and all other value-added products in Europe. Europe is in fierce competition with emerging countries for leadership in these industries.

Enhance European competitiveness

CECIMO Director General calls on all the involved authorities at both Member State and EU level to commit themselves to the development and implementation of a long-term common European manufacturing strategy which is adjusted to the globalisation era. He says: ***“Such a strategy should support the internationalisation of SMEs by providing assistance for capacity building, information on market access and more favourable conditions for export finances, which will allow them to expand to emerging markets and to benefit from economies of scale. Meanwhile, Europe should focus on measures to boost innovation and productivity which will enhance the competitiveness of manufacturers in the global marketplace”***. Mr. Geerts stresses that manufacturing can help tackle the current economic challenges Europe is facing today including slow growth and unemployment, reminding that manufacturing is a source of innovation, competitiveness and jobs.