

Come in
WE'RE
OPEN

'Open for business'.
European economy, the Recovery Plan
and how clusters can help

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Disclaimer

Here at EAAC we daily benefit from key presentations from the European Commission and experts/colleagues:

what else to say on the European economy and EU Recovery Plan?

The following facts / inspirations - mainly from outside-EU sources - aim to be «food for thought»

Pre-assumption

Neither the European economy
nor the EU Recovery Plan
are «stand-alone»

*(or, in other words:
what's happening around us and how can this impact
on our plans?)*

The richness of diverse perspectives (1/2)

**THE GLOBAL SUPPLY CHAIN
IS BROKEN**

HERE IS THE SOLUTION

Dennis Unkovic & David Iwinski Jr.

Ohio

**Small Business
Development Centers
Export Assistance Network**



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July 8th 2020



Ohio Small Business
Development Centers

Memorandum of Understanding

between

PERES European Strategic Cluster Partnership

and

Ohio Small Business Development Center

Export Assistance Network (EAN) at YSU



The richness of diverse perspectives (2/2)

Covid-19 & C

1. Health Crisis
2. Quarantine
3. Employment Cri
4. Hiring / Training
5. Productivity / Q
 - New worker
 - Output and

Global Supply Chain - How To Fix It

Recommendations:

1. Be pessimistic regarding forecasts of recovery from China
2. Conserve capital and resources
3. Expect large-scale simultaneous supply chain realignment

Copyright, D

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Active enterprises in the key economic regional areas



**34,7 million
active enterprises**

(STATISTA 2020,
ref. year 2018)

Population: 1.393 million
Ratio companies/population
= 2,5%



**32,5 million
active enterprises**

(CENSUS BUREAU 2019,
ref. year 2016)

Population: 328 million
Ratio companies/population
= 10%



**27,5 million
active enterprises**

(EUROSTAT 2020,
ref. year 2017)

Population: 446 million
Ratio companies/population
= 6%



Report on India Trade – EU SESEI Project, July 2020

By 2025, 1/5 of the world's **working age population** will be Indian.

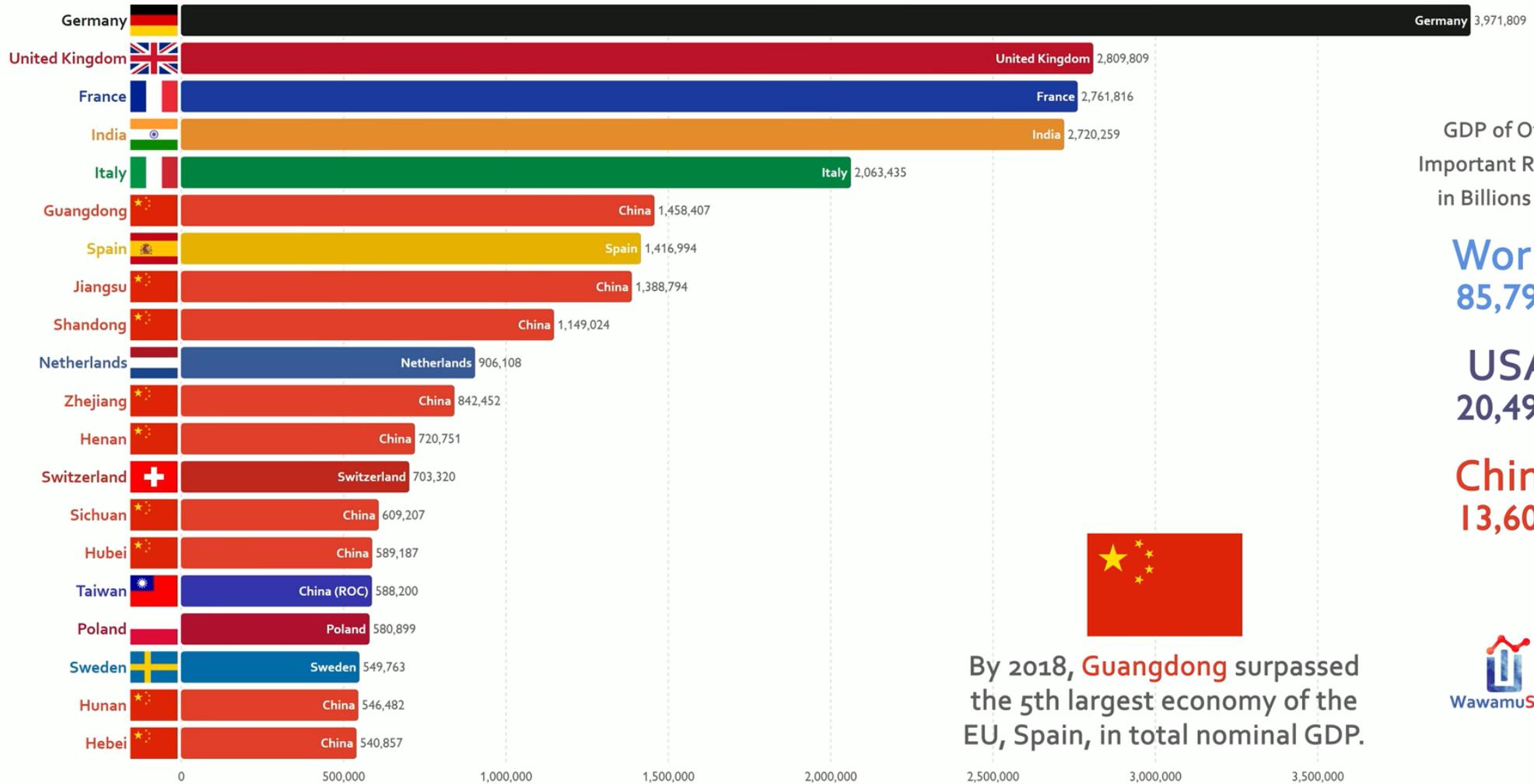
By 2035 India will overtake China as the **world's most populous country**.

By 2035 India's **five largest cities** will have economies of comparable size to middle income countries today.

2018

Chinese Provinces vs EU Countries

in millions USD



GDP of Other Important Regions in Billions USD

World
85,790

USA
20,494

China
13,608



By 2018, Guangdong surpassed the 5th largest economy of the EU, Spain, in total nominal GDP.



<https://www.youtube.com/watch?v=To6H-QGTx0s>



Photograph

Economics

Europe Finds It's Not So Easy to Say Goodbye to Low-Cost China

By [Flavia Rotondi](#), [Piotr Skolimowski](#), [Jeannette Neumann](#), and [Joao Lima](#)

30 giugno 2020, 01:01 CEST

- ▶ EU seeks 'strategic autonomy' after pandemic exposed risks
- ▶ Germany is also working on its own supply-chain strategy

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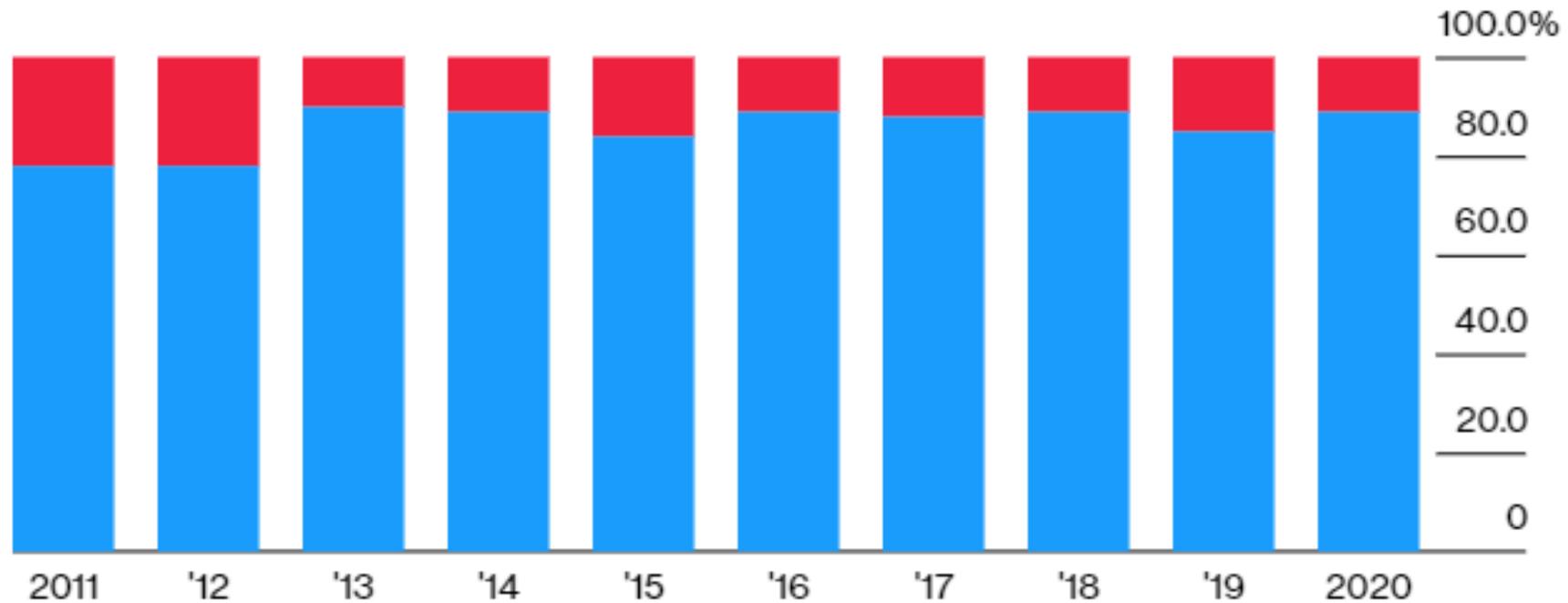
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https://www.bloomberg.com/news/articles/2020-06-29/europe-finds-it-s-not-so-easy-to-say-goodbye-to-low-cost-china?utm_source=twitter&utm_content=business&utm_medium=social&cmpid=socialflow-twitter-business&utm_campaign=socialflow-organic

China Commitment

European companies aren't planning to pull out of China

■ No ■ Yes



Source: European Union Chamber of Commerce in China

Note: Survey question: "Is your company considering shifting current or planned investments in China to other markets?"



How China is described by EU IPR SME Helpdesks

EXTREMELY COMPETITIVE

probably the world's most competitive and aggressive market economies, backed by strong State support

China

President Xi Jinping current objective :
Growth of China GDP and development
through coupling of
Innovation and
Intellectual Property



Numerous young educated people

Strong incentive to become rich

Every business under constant monitoring
by potential competitors

Singapore

New patent reform starting Jan. 2020
Just hired 100 patent examiners,
among which 80 being PRC citizen

CHINA IPR
SME HELPDESK

LATIN AMERICA
IPR SME HELPDESK

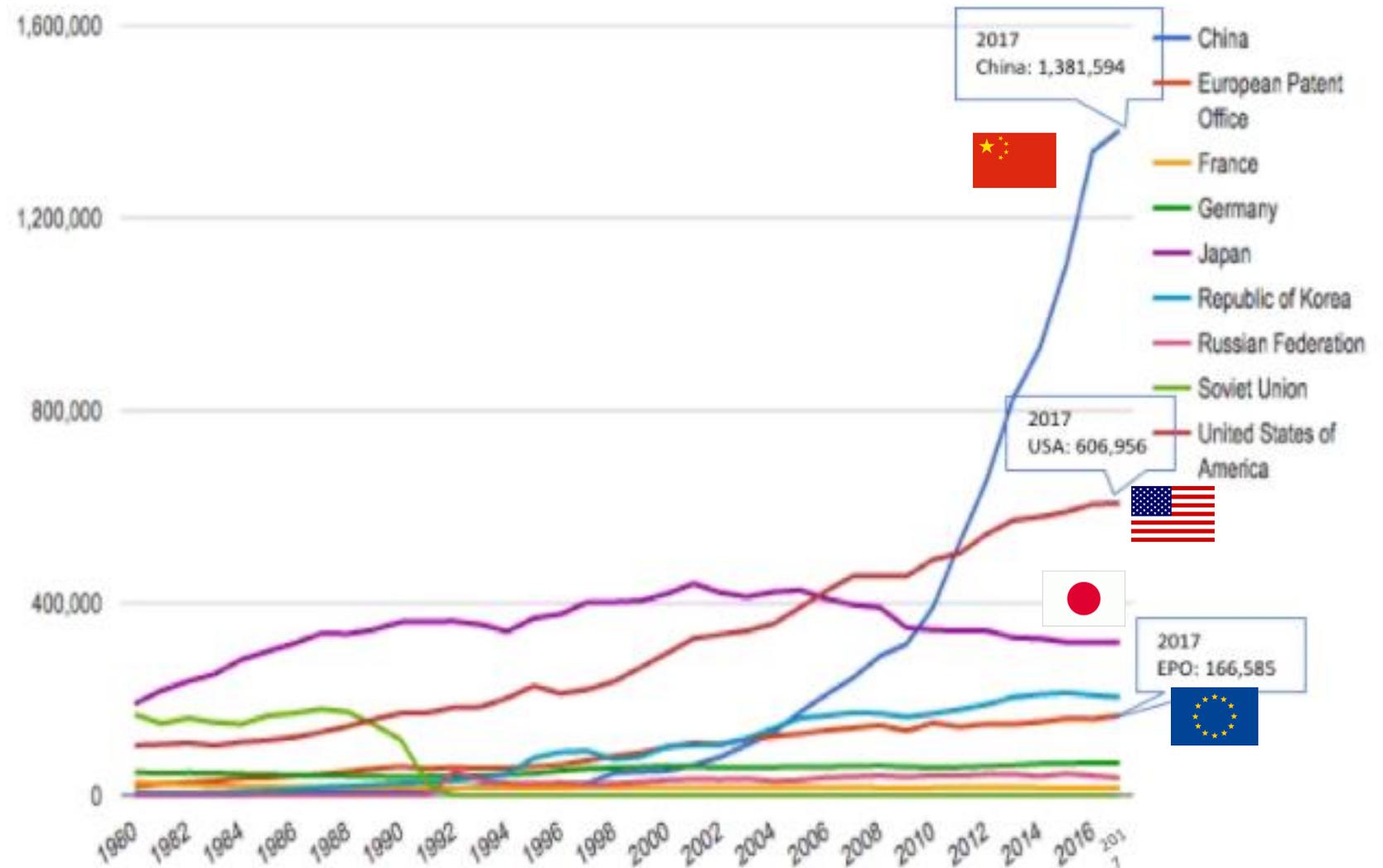
SOUTH-EAST ASIA
IPR SME HELPDESK

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N° of patents registered every year

Source :WIPO



So, according to Bloomberg is a new “attractivity war” starting within the EU (and neighbor countries)?

The push isn't just a proposal sitting in Brussels. National governments across the bloc are pushing to source supplies locally, competing for investments in production capacity in the process.

@Bloomberg



Germany plans to present a supply-chain strategy in the next few months as it aims to reduce the vulnerability of core industries to potential disruptions in trade flows. As part of the process, Europe's largest economy is seeking to enforce tighter rules on human rights and environmental protection on incoming goods, a way to help protect local manufacturers.

Any rules should be designed in a way that doesn't create an additional burden for companies, Economy Minister Peter Altmaier said in June after meeting industry representatives.

Supply-chain resilience is crucial for German industry because 17% of its production relies on global suppliers - a much bigger share than in other countries. A recent study from Munich-based Ifo Institute showed Germany's dependence on international suppliers could hold back the economy's return to business as usual after the pandemic.

@Bloomberg



Poland, Romania

In Eastern Europe, countries like Poland and Romania are also pitching to attract investment, leveraging their EU membership, existing links to Western companies and labor costs that are a fraction of what employers in Germany pay.

@Bloomberg



Morocco's Moment

Bringing manufacturing closer might not necessarily mean inside the EU.
New plants could be located just outside the bloc.

While French President Emmanuel Macron has been trying to keep manufacturing at home, the country's carmakers have reduced capacity in France and opened new export-oriented plants in Morocco. Peugeot manufacturer PSA Group opened its largest plant outside Europe and China there last year.

Keen to boost exports, Moroccan authorities have managed to draw close to 70 manufacturers of automotive components with the help of incentives, including free land plots, tax breaks and massive investment in infrastructure.

@Bloomberg

**The EU
«reaction»**

**Remove internal market distortions:
2 recent initiatives**

#1



Brussels, 17.6.2020
COM(2020) 253 final

WHITE PAPER

on levelling the playing field as regards foreign subsidies

Openness to trade and investment is part of the economy's resilience, but it must go hand in hand with fairness and predictable rules. The current global economic environment is the most difficult in recent memory. Trade openness based on a level playing field is being challenged, as is the objective of seeking mutually beneficial trade relations.

In today's intertwined global economy, foreign subsidies can however distort the EU internal market and undermine the level playing field.

FINANCIAL TIMES

China paid record \$22bn in corporate subsidies in 2018

White Paper on Foreign Subsidies

Have your say > Published initiatives > White Paper on Foreign Subsidies

Public consultation

Feedback period

17 June 2020 - 23 September
2020

FEEDBACK: OPEN

Give your
contribution!

About this initiative

Summary

Subsidies granted by non-EU governments to companies in the EU appear to have an increasing impact on the Single Market. To address such distortions, the Commission has published a [White Paper on levelling the playing field as regards foreign subsidies](#).

The White Paper presents several approaches, which aim at addressing the distortions caused by foreign subsidies in:

- general market operation (Module 1);
- acquisitions of EU companies (Module 2);
- public procurement procedures (Module 3);
- access to EU funding.

Topic

Competition

<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12452-White-Paper-on-Foreign-Subsidies>

#2

FINANCIAL TIMES

July 14, 2020 4:00 am by **Mehreen Khan** and **Sam Fleming** in Brussels

European Union

Brussels plans attack on low-tax member states

Commission measure likely to attract fierce opposition from smaller EU countries





Article 116 of the EU treaty gives Brussels the powers to correct “distortions” in the single market, but **has never been used.** The instrument allows the commission to propose a directive designed **to correct distorting tax schemes** and sue governments at the European Court of Justice if they do not comply.

The measure is likely to target schemes in countries such as the Netherlands, Luxembourg, Belgium and Ireland, said one official. Diplomats expect the plans to be fiercely resisted by some member states, opening up the prospect of years of lengthy legal battles at the ECJ.



Paul Tang, a Dutch MEP and incoming head of the European parliament’s subcommittee on tax, said: **“Bringing Article 116 into play could stop unfair practices in EU tax havens.** It is a race to the bottom which benefits a small few at the expense of the rest. This is unacceptable, especially in difficult economic times.”

CORRIERE DELLA SERA

Prestiti garantiti dallo Stato, Fca chiede un finanziamento da 6,3 miliardi di euro

di Fabio Savelli | 15 mag 2020

FCA

FIAT CHRYSLER AUTOMOBILES

An example of distortions that in these times are not acceptable anymore:

- FCA (former Italian historical car manufacturer "FIAT") requested the Italian Government a 6,3 billion € loan under COVID-19 law
- FCA has partial production in Italy
- FCA has legal seat in Nederland and fiscal seat in UK: it does not pay any income taxes to Italy

**The EU
«reaction»**

**The Recovery Plan
- and what role for Clusters?**



EU recovery plan — By the numbers

POLITICO breaks down the blueprint for reviving Europe's economy.

By **LILI BAYER, FRANCESCO PICCINELLI AND LAURA GREENHALGH** | 6/18/20, 7:50 PM CET | Updated 6/21/20, 5:37 PM CET

<https://www.politico.eu/article/eu-recovery-plan-by-the-numbers/>

Cohesion and values

€610B



Recovery fund:

€750B

2021-2024

Recovery and Resilience Facility

560B

MS TO DRAFT RECOVERY AND RESILIENCE PLANS

Single market, innovation and digital

€69.8B

InvestEU Fund

20.2B

Solvency Support Instrument

26.0B

Horizon Europe

13.5B

MORE LOCALLY-DRIVEN ACTIONS

Neighbourhood and the World

€15.5B

- External action: €15.5B

and agriculture

€45B

Resilience, security and defense

€9.7B

Regional Development and Cohesion

50B

- Just Transition Fund: €30B

- Common Agricultural Policy

MS TO IDENTIFY AND DRAFT TERRITORIAL PLANS FOR TRANSITION

- Health program: €7.7B

- Union Civil Protection Mechanism: €2B

Conclusion: Marshall Plan vs. EU Recovery Plan



In today's money, the Marshall Plan – run from 1948 to 1952 – would be worth a substantial **135 billion USD (~119 billion €)** vs. 750 billion € of EU Recovery Plan

This time we **don't need a third country** to take care of our recovery. The EU is really doing something great.

On our side, we – as Clusters - must act doing more than our best to contribute to full delivery of the expected impact of the EU Recovery Plan.

#LetUsWorkOnIt