

GLOBAL VALUE CHAINS IN THE AUTOMOTIVE SECTOR AND THE NEW SPANISH INDUSTRIAL POLICY

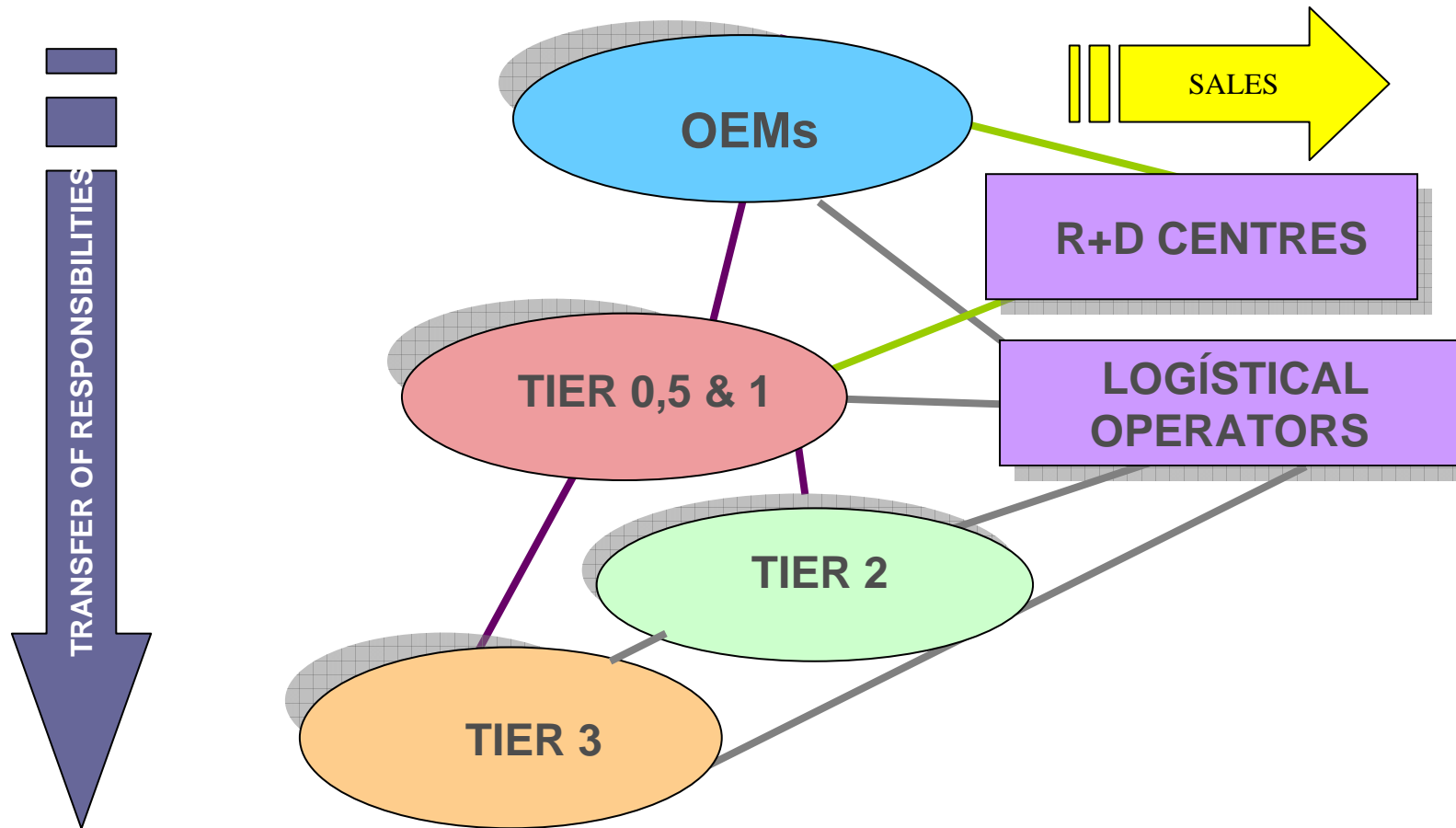
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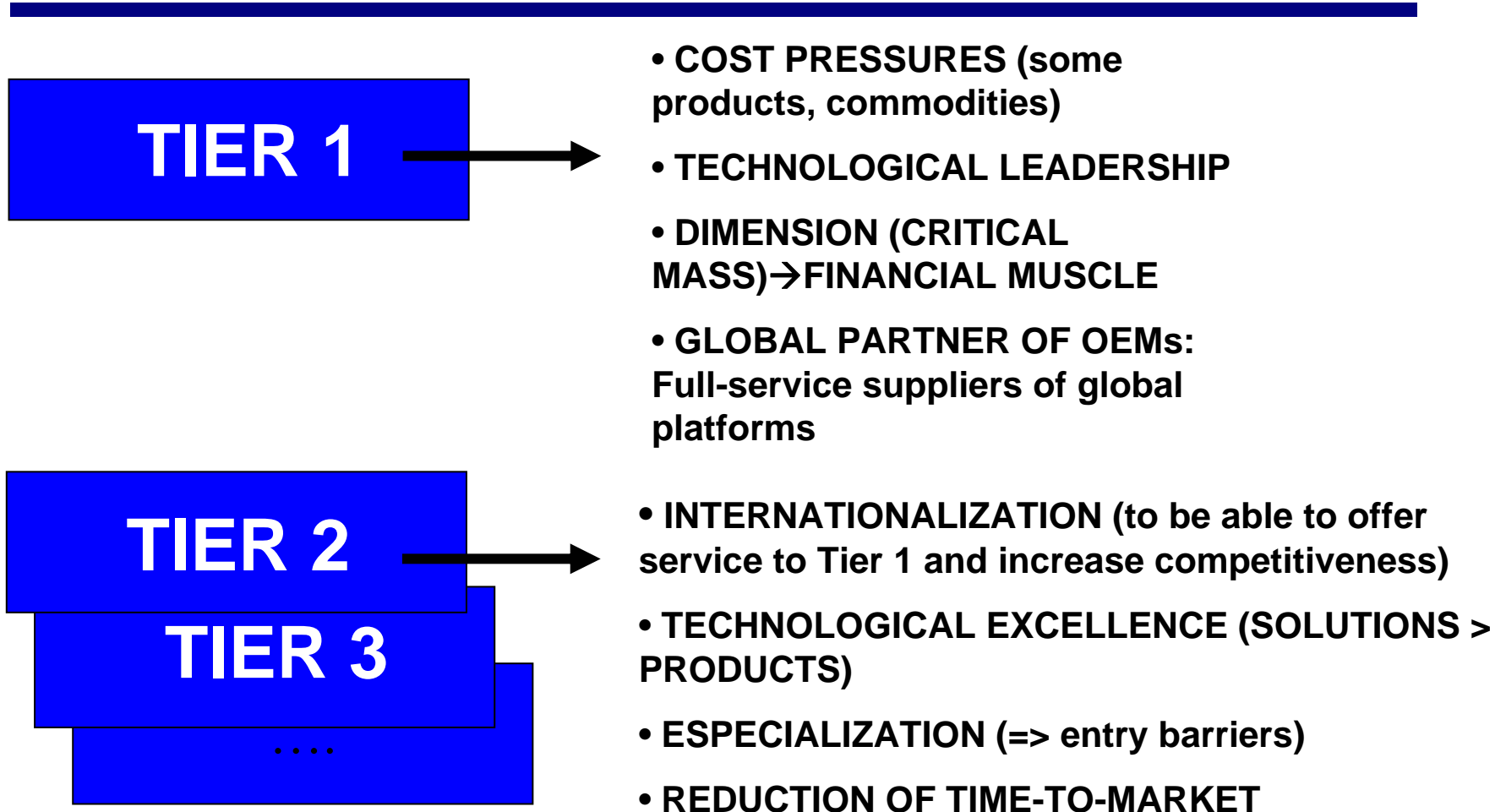
**OECD Global Conference on “Enhancing the role of SMEs in Global Value
Chains”. Plenary Session, May 31, 2007**



1. Dramatic change in the value chain of the automotive sector since the 1980s due to the erosion of margins and to globalization



2. Challenges for the “Tiers”



3. Main features of the Spanish automotive sector

A key sector in the Spanish industry. Which accounts for:

- * 9% of the Industrial GDP
- * Its employment is 10.5% of the overall active population
- * 25% of exports

Highly dependent on its trading exchanges with E.U. :

- * 85% of its output is sold there
- * Over 60% of our the sales of our domestic market come from the rest of the EU

Holds an outstanding position in the European production ranking:

- * Third in passenger cars and components, and
- * First in industrial vehicles

4. Main features of the Spanish automotive sector (contd.)

OEMs segment.

Owned throughout by multinational groups →

- ✦ R+D carried out at parent companies
- ✦ Decisions to manufacture new vehicles are highly conditioned by parent companies
- ✦ High productivity level. Two Spanish plants are ranked in Europe's top ten

Components segment

- ✦ Large multinational share, but decisions are often taken in Spain
- ✦ Spanish owned companies, some boast an international scope
- ✦ R+D increasingly significant in this segment
- ✦ Close ties with vehicles manufacturers (suppliers pool)
- ✦ Suppliers gather in clusters to achieve critical mass
- ✦ Offshoring of production/ re-siting (Eastern Europe, North Africa, China)
→ Positive side: getting closer to new manufacturers

5. Fundamental target of the Spanish industrial policy

- Improving total factor productivity (PTF in Spanish) in order to increase the growth of productivity in the Spanish economy

$$\Delta Q = \alpha_1 \Delta L + \alpha_2 \Delta K + \Delta PTF$$

Years 1995-2002	Labour	Capital	PTF
EU	0.30	0.38	0.54
US	0.15	0.61	1.68
Spain	0.52	0.05	0.17

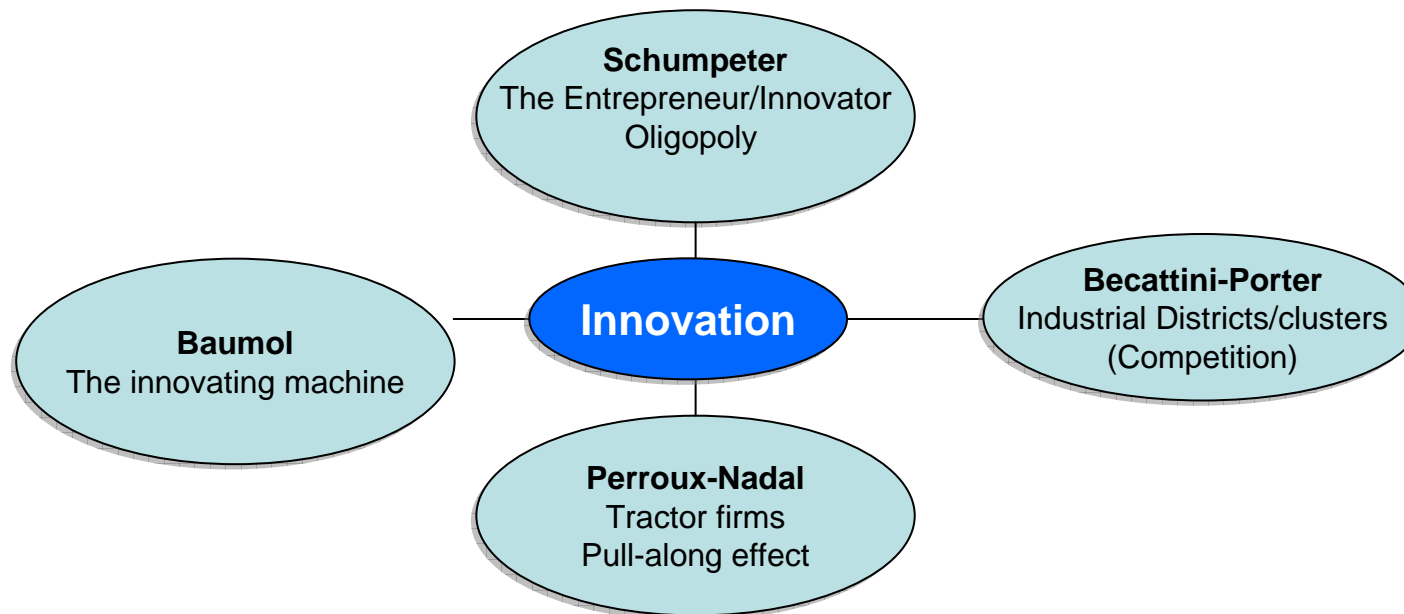
The production function in Spain is labour-intensive

Insufficient capital renewal: technology lag

Very low Total Factor Productivity: needs increasing

6. Fundamental target of the Spanish industrial policy (contd.)

- Innovation is essential for our goal.
- Which concept of innovation? → 4 approaches



7. A sample of the main instruments of the new Spanish industrial policy

- **Instruments of support for SMEs**

1. The **Business Promotion Plan** (main measures):

- Fostering the entrepreneurial initiative and the creation of new companies (ICO facility >7,000M€)
- Increasing innovative capabilities and knowledge transfer (eg. financial support of Technology Centers, < payments to SSecurity of R+D workers).
- Internationalisation (upgrading of financial instruments and of human capital).
- Administrative simplification.

2. **Groups of Innovative Companies (AEI in Spanish):**

- AEI are innovative clusters (includes enterprises, research centers, technology and knowledge transfer centres and training centres that share a global common strategy).
- New program (2007-2013) whose main purpose is to support innovation and corporate competitiveness strategies promoted by AEIs through the consolidation of existing clusters and the creation of new ones, the identification of those that lead innovative strategies and the support of innovative initiatives promoted by them.

8. A sample of the main instruments of the new Spanish industrial policy (contd.)

- **Instruments of support for SMEs (contd.)**

3. The **INNOEMPRESA Plan 2007-2013**: With its annual budget of 75 M€, it introduces new measures to give incentives for innovation, quality and advanced management at SMEs

- **Instruments for fostering R+D+i**

1. **CENIT (Programme for National Strategic Consortiums in Technical Research):**

- Allocated budget for CENIT in the State budget: 50 M€ in 2006 and 145 M€ in 2007.
- Consortium or Economic Interest Group (EIG) made up of at least 4 companies (2 large or medium and 2 SMEs) and 2 research entities.
- Projects have 4-year duration and a total budget of between 20 and 40 M€
- The overall participation of research entities, at least 25% of the total budget.
- Aid in the form of subsidies can reach a maximum of 50% of the total project costs.

9. A sample of the main instruments of the new Spanish industrial policy (end)

2. PROFIT (Programme for fostering the technological and research capabilities of businesses: around 50% of its beneficiaries are SMEs).

- **Specific instruments for the automotive sector**

1. CARS 21: A 10 year roadmap of sustainable development for the automobile in the EU:

- Main principles of its implementation: Proper impact assessments, cost-effectiveness, transparency, stakeholder consultations, sufficient lead times and careful choice of instruments.
- Integrated approach for CO2 emissions and road safety.

- Mid-term review in 2009.

2. AUTOMOTIVE OBSERVATORIES: One for OEMs and one for “Tiers”.

3. TRANSPORT INFRASTRUCTURES.

THANK YOU