

EU Economic Diplomacy: Views from the GNSS Downstream Industry

Introduction:

The recent institutional measures around the development of a more integrated and pro-active EU economic diplomacy has aroused great interest within the European industry of applications and services based on satellite positioning, navigation and timing – the European Global Navigation Satellite System (GNSS) downstream industry. Indeed the EU's objectives of promoting the European industry's competitiveness worldwide, jobs creation and growth clearly converge with those of the European industry.

In "A Space Strategy for Europe" the orientations detailed about the ambition to promote the internationalisation of the European industry and to establish a level playing through EU trade policy instruments and economic diplomacy is very much welcomed by Galileo Services. However it remains pivotal to remind that this effort shall be first accompanied by measures aiming at supporting the development of a competitive GNSS downstream industry in Europe. High-value services based on GNSS are core to European employment generation.

In this paper Galileo Services offers an input to the general reflections on the development of a European economic diplomacy.

We identify GNSS downstream as a high growth sector and thus provide food for thought on how best to strengthen the competitiveness of the European GNSS downstream sector in the world market.

We then detail a list of operational and ready-to-use economic diplomacy actions that could be promptly implemented by the European Commission together with the European External Action Service (EEAS) to support the internationalisation of European businesses.

The European GNSS downstream industry stands ready to refine any point of interest raised in this position paper and contribute further to the EEAS, Commission, Member States or European Parliament's reflections on this topic.

1. Rationale

GNSS market and industry trends

The GNSS downstream market continues to be one of the most promising markets in terms of European growth, with an annual growth rate of the global GNSS market of about +7% per year. The core and the enabled GNSS markets are expected to reach around EUR 110 billion and EUR 290 billion respectively by 2023.

However Europe is not getting an adequate share of this market. The current European share of the global market is approximately 20% - if not lower – compared to a traditional European share of 33% for any other global high tech sector. Europe's GNSS market share is even declining.

There are a number of key GNSS application markets - either most promising service/application markets in terms of growth potential or strategic markets – on which the European industry must position itself. Examples of such markets include Road (Intelligent Transport Systems, ADAS, connected and autonomous vehicles); Trains Signalling (ERTMS-3); Internet of Things, agriculture, UAVs, Timing and Synchronisation, Critical Infrastructures, Multimodal logistics, Defence, etc.

In particular European industries have a strong reputation for quality and reliability in these activities. The leading position of Europe in GNSS security and resilience domains should be strengthened, as it is critical for today's and tomorrow's markets.

European industry vis-à-vis worldwide competitors

The European GNSS downstream industry suffers from a significant competitive disadvantage vis-à-vis worldwide competitors. Indeed the former have benefited from strong institutional support for decades and have increased their supremacy year after year.

In the US, Russia, China and Japan, dedicated national strategies exist to support competitiveness of their downstream industry and enhance GNSS market take up, including massive funding for R&D and manufacturing capabilities, regulations and public procurement. For example Russia and China are imposing through regulation the use of GLONASS and BeiDou respectively. This is benefitting their local industry in priority.

It is crucial for Europe to restore a level playing field.

2. Galileo Services proposed way forward

Support to the Development of a Competitive European GNSS downstream industry

There is a need to federate the efforts between the key stakeholders in Europe in order to optimise the development of a competitive GNSS industry in Europe, building on competitive advantages offered by the European GNSS, and fostering the penetration of their services.

In this regard several support actions and instruments can be considered such as R&D funding, public procurement (e.g. PCP/PPI), education, support to the development of manufacturing capabilities, regulations, awareness, etc.

These actions should be supported by funding at a strategic level to grow Europe's share. The recommended EU investment in the development of value-added GNSS applications and services:

- EUR 2 billion in 2016-2020 during the Initial Services Exploitation Phase
- EUR 2-3 billion in 2021-2027 during the next MFF.

The objective is for Europe to win 33% of the global GNSS downstream market by 2025, which is equivalent to 400,000 jobs.

3. Potential support of Economic Diplomacy

The following is a list of recommendations that the European Economic Diplomacy can enforce to support the industry:

- **Trade agreements:** The European Commission should ensure that commitments by partners in bilateral trade and investment agreements are respected.
- **International agreements:** International agreements, when signed, always have impacts, be they positive or negative. When negotiating any such agreements the Commission shall therefore keep in mind the possible repercussions on EU growth, competitiveness and therefore job creation. The European industry could accompany and advise the Commission during the negotiating process. The main objectives of such involvement are:
 - To identify and assess the potential negative impacts of the foreseen agreements on jobs.
 - To provide the negotiators with recommendations on the provisions to be adopted in the agreement to ensure that it will entail jobs growth.

Each Industrialist could do it via its Member State. Yet to help the EC and EEAS to progress rapidly, the Galileo Services non-profit association proposes to provide the EC and EEAS with informal advice and support, discussions on demand, at any stage of the negotiation process.

- **Market opportunities:** The various diplomatic missions of the European Union are appreciated to disseminate intelligence to EU companies on the local economies and markets to help them identify business opportunities. Industry could also provide market assessment and information about GNSS applications and services to the missions.

European embassies are also in charge of preparing and discussing with the countries they are located in, any EU support funds that might be relevant (from DG NEAR, DEVCO, etc). They should therefore be regularly informed of the status of European GNSS deployment as well as the services/products that European Industry can promote there. This information should also be made towards the EU's DG that are managing the relevant funds.

- **Industry skills:** The EU diplomatic missions are well placed to provide the industry with information about the competencies of non-EU countries local industry. The objective of comparing the competencies of the European industry and non-EU industry is twofold:
 - To create partnerships that favours the entrance of the European industry on the local market.
 - To penetrate those markets where there is a lack of adequate industry. Africa, Mediterranean countries and the Balkans are a few examples of regions in which they are clear opportunities for the European industry.
- **Regulations:** Selling in overseas markets will bring companies into contact with different sets of laws and regulations, new customs procedures, licences in certain cases, as well as new standards and certification systems. It is difficult for companies, especially SMEs, to be knowledgeable about all those factors in the countries they are prospecting. A lack of awareness may adversely impact their export strategy, and transform promising opportunities and thus important investment in considerable losses. It is therefore critical for these companies to be provided with support services to navigate local regulations.
- **R&D project cooperation:** R&D cooperation programmes that encourage international industrial cooperation, such as those made possible during FP7 should be established again. European businesses can internationalise by partnering with non-European companies or other actors to carry out joint research and innovation activities. These activities could be for instance: joint research where partners have complementary expertise; integration of a technology supply chain where the local industry is missing an element; demonstration or piloting of a new product, service or technology; accessing facilities, data or services, etc. It must be leading to develop local business for European industrialists, and avoid transfer of technology (e.g. involve local user organisations and procurement agencies, rather than future industry competitors)
- **Promotion of existing and future European champions:** The main foundation for a business to succeed on international market is to be strong in the home market. It is therefore crucial to create or strengthen European champions who are able to compete on an equal basis in the worldwide market and advertise their skills.

- **Simplify and raise awareness about the instruments:** The Commission should raise awareness of the numerous instruments it offers to help the internationalisation of European businesses and their competitiveness.

References

More details on the rationale of those recommendations can be found in previous communication from Galileo Services:

- “A Space Strategy for Europe – Input from Industry for a Successful GNSS Market Uptake”, Position Paper, July 2016
- “Europe must succeed in the Global Navigation Market Race”, Position Paper, September 2015
- “Is Europe ready to make Business on Galileo”, The Parliament Magazine, 7 March 2016
- “Reflection Paper on Harnessing Globalisation”, European Commission, 10 May 2017
- “Support the internationalisation of SMEs”, European Commission Guide, 2014

About Galileo Services

Galileo Services is a non-profit organisation founded in 2002 as a major partner for the EU GNSS Programmes, Galileo and EGNOS, and GNSS application development.

The organisation’s mission is to support and assist implementation of the programmes and to stimulate GNSS downstream technology and business development (terminals, applications and services) as well as to contribute to partnerships, advertise EU industry competence all over the world, support EU institutions on request and express industry views.

Having merged with Oregin (the Organisation of European GNSS Industry of equipment and services) in 2009, Galileo Services network represents now more than 180 member organisations. Galileo Services and Oregin federate the most active and representative players of GNSS industry and research supporting the Galileo and EGNOS programmes. This federation provides an unrivalled platform for partnership and information exchange between its Members, and offers powerful support and wide representation to Institutions.

http://www.galileo-services.org/news_events/specific_news.html