

|| alliance for a competitive european industry

## Cases for a Competitive European Industry

Presented at the Workshop "The New European  
Industrial Policy - From Commitment to Results"

BRUSSELS, 15 SEPTEMBER 2006



# The New European Industrial Policy From Commitment to Results

Workshop, 15 September 2006

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One year after the introduction of a new Industrial Policy by the European Commission the Alliance for a Competitive European Industry is holding a workshop with all involved stakeholders to take stock and to back the Commission in its aspirations. Alliance members and the European authorities share the view that the issues raised in the Communication have to lead to results.

Sound, long-term industrial policy, which takes account of the realities of business life for enterprises of all sizes, is fundamental to economic prosperity. We therefore present this brochure of the workshop as a basis for discussion.

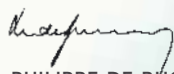
The case studies we present to you here illustrate some of the issues that concern Europe's major industries. The collection is by no means exhaustive. We look forward to sharing our insights and to discuss the way forward.

Hopefully this workshop will contribute to us jointly taking the right steps to ensure development and prosperity of the European manufacturing industry.



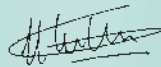
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The Alliance for a Competitive European Industry was formed in 2004 by 11 major European industry sector associations and UNICE.

The common objective of its Members is to promote the competitiveness of European industry on a global scale. The Alliance therefore encourages a policy and regulatory framework that supports that objective, reinforcing and complementing UNICE's work in this respect by providing a sectoral perspective.

The industry sectors concerned represent the interests at EU level of some 6,000 large companies and 1.7 million SMEs with a combined output of nearly € 5,000 billion turnover and € 1,300 billion added value. These companies directly employ about 23 million people in the EU.



European Automobile  
Manufacturers Association



European Chemical  
Industry Council



The European Cement  
Association



Confederation of  
European Paper Industries



Confederation of Food  
and Drink Industries in the EU



European Apparel  
and Textile Organisation



Union of the Electricity Industry



European Confederation  
of Iron and Steel Industries



European Association  
of Metals



European Petroleum  
Industry Association



European Engineering  
Industries Association



Confederation of  
European Business



European  
Automobile  
Manufacturers  
Association



**ACEA** represents the 13 major European car, truck and bus manufacturers. With offices in Brussels, Tokyo, and Beijing, ACEA is a key interlocutor with EU Institutions in Brussels and Strasbourg. All ACEA member companies have integrated automobile operations (research, design, development, production and sales) in the European Union, and are key players in the global automotive market. In the EU, they produce over 16 million vehicles per year, offer direct employment to 1.1 million workers and support - directly or indirectly - another 11 to 12 million jobs. The European automotive industry is also a leading sector in innovation, investing € 19 billion per year in research.

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## Creating the Right Policy Framework for Investment and Employment

The main role of industrial policy developed by the public sector should be to provide the right framework conditions for enterprise development and innovation. These are essential to make the EU attractive for industrial investment and job creation.

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### The Issue

The CARS 21 High Level Group is an initiative that seeks to translate industrial policy objectives into reality through an in-depth approach to one of the principal sectors of the European economy: the automotive industry.

Accounting for 3% of Europe's gross domestic product, 7% of employment in the manufacturing sector and 8% of EU governments' total revenue, the automotive industry is a pillar of the European economy. However, it is also confronting the much-discussed challenge of globalisation head-on as well as being subject to significant societal demands, particularly in terms of the environment and road safety. Moreover, the automotive industry is one of the most regulated sectors, with sometimes inconsistent and conflicting rules and regulatory objectives. The cumulative costs of such regulation are considerable.

The creation of CARS 21 by Commission Vice President Verheugen underlines that the Commission takes seriously the competitiveness of European automobile manufacturers and the role that European regulation plays in this context. After nearly a year of intense discussions, the High-level Group agreed in December 2005 on a final report that maps out a new regulatory system for the European automobile industry. With its emphasis on better regulation and innovative approaches to achieving public policy objectives, the final report provides the basis for what it intended to achieve: a Competitive Automotive Regulatory System for the 21<sup>st</sup> century.

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## Our Position & Recommendations

While the results of CARS 21 present an overall package, ACEA considers agreement on a regulatory road map and specific recommendations on better regulation, integrated approach to CO<sub>2</sub>, integrated approach to Road Safety, trade and the introduction of the concept of affordability to be of particular importance.

The CARS 21 regulatory road map gives an overview of EU regulatory developments concerning the automotive industry over the coming years. Providing a sound basis for future policymaking, it also gives European automobile manufacturers much-needed planning certainty.

- As for better regulation principles for the automotive sector, they have for the first time been enumerated and agreed upon between the institutions and stakeholders, including, in particular: proper impact assessment, thorough consultations, consistency, cost-effectiveness, technology neutrality, appropriate lead-times and affordability. Thus, better regulation offers the opportunity of preparing and implementing legislation that better serves public policy needs while avoiding inconsistent, overly burdensome and even technically unfeasible legislation that was proposed in the past.
  - An integrated approach that will be applied to both CO<sub>2</sub> and road safety is a major breakthrough. It will allow further progress in these fields at much lower costs to society compared to an exclusive focus overburdening one part of the overall system, the vehicle. The integrated approach involves all relevant stakeholders, including vehicle manufacturers, but also infrastructure providers, public authorities, fuel industry, drivers, etc.
  - In the field of EU trade policy, the EU should complement its multilateral approach with a bilateral approach so as to ensure much-needed improvements in export opportunities for EU producers. Implementation of this recommendation is urgent given a multitude of bilateral free trade agreements between other world regions and certain growth markets, particularly in Asia, that would effectively exclude European produced vehicles from these markets.
- Affordability of new vehicles and fleet renewal are key to achieving environmental and safety improvements as the main environmental and safety challenge arises not from new vehicles, but from the large existing fleet of old vehicles on the road. In implementing CARS 21, a particular challenge will be to make the principle of affordability operational so as to avoid that an accumulation of costly requirements increases the price of new vehicles and leads to an undesired delay in fleet renewal.

It is hoped that the experience of the CARS 21 will contribute to the shaping of the culture and methodology of future policymaking. The Group has held policy discussions in a transparent, inclusive and consensual way. These principles should be central to the manner in which policy is made in the future. CARS 21 has been one of the first such sectoral initiatives launched by the Commission and it is hoped that the method of its deliberations can act as an example for similar future initiatives in other sectors.

Only full implementation of CARS 21 recommendations will lead to a pro-competitive regulatory framework within which the automotive industry can invest, innovate and continue to provide large-scale employment in the EU. Deviating from the agreed report and road map would undermine key objectives of CARS 21, namely giving predictability and planning certainty. Only implementation of the final report in its entirety will reflect the package of compromises that has been agreed. Implementation will require that all stakeholders play the role they have agreed to play within CARS 21. ACEA members are ready to do their share in the implementation of CARS 21 results, and they look forward to full implementation over the upcoming years and to constructively contributing to the review of the road map in 2009.

**Cefic** - The European Chemical Industry Council - is both the forum and the voice of the European chemical industry. It represents, directly or indirectly, about 28,000 large, medium and small chemical companies that employ about 1.3 million people. With a share of about one third of global chemicals production (excluding pharmaceuticals), the EU 25 is the largest chemicals producing area in the world, generating a turnover of about € 420 billion in 2004. In that same year, the EU 25 was also the world's leading exporter and importer of chemicals, generating a trade surplus of € 39 billion (excluding pharmaceuticals).

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## Protecting Confidential Business Information

One of the advantages that Europe still offers to the chemical industry is the strength of its science and engineering base, which provides a rich source of world-class research expertise and highly trained people. However, this advantage is not exploited to full potential because, compared to other trading blocs, Europe is not set up to optimise the protection of new ideas for transformation into successful business. Intellectual Property Rights (IPRs) and, more specifically, the protection of confidential business information are linchpins of the process of innovation. IPRs in all forms - not only patents - are key to building a better future in Europe based on the knowledge economy.

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### The Issue

There are increasing calls for the chemical industry either to pass on undisclosed data to the authorities for authorisation processes or to have data published. Often, such trade data are secret, involve huge resources and represent real value for the company having produced them. They cannot be protected by patent but are however confidential business information. The right involved in this process is the protection of undisclosed information (*Article 39 of the WTO-TRIPs Agreement*). In many instances, this right does not offer adequate protection to companies due to the way legislation has been put into practice. These questions are even more crucial in REACH – the new EU regulation on chemicals. There is a need for provisions at EU level to guarantee that data generated by companies to fulfil the obligations of the registration requirements of REACH are protected and that those provisions are actually enforced in Member States.

Cefic urges the European Commission to be more active on this matter. In the EU, the protection of the data of the chemical industry has been and still is dealt with in a piecemeal manner. The provisions for the protection of confidential business data included in the various pieces of legislation may vary, and common underlying principles have never been listed so as to ensure minimal protection and that the necessary mechanisms are in place to enact this. The lack of an overall approach is a key concern. Constant erosion of the protection of rights and confidentiality is apparent, due to - sometimes unreasonable - requests for transparency. There is continuous pressure to disclose data and to make them freely available to authorities, the public and, thus, to competitors.



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## Our Position & Recommendations

The chemical industry calls on the EU institutions to adopt a general framework spelling out the principles regarding the protection and ownership of confidential business information, the mechanisms regarding disclosure if requested by the public interest, the minimum criteria by which this can take place and parameters to be used to strike the balance between the different interests that may be involved. This would help to improve the drafting and reviewing of EU regulations and their implementation.

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## Fostering Global Regulatory Cooperation

Regarding the external dimension of competitiveness, regulatory cooperation between trading blocs constitutes an area where improvements can generate huge benefits for industry while improving the implementation and effectiveness of domestic chemical regulations. Regulatory barriers to international trade are one of the principal, and costliest, non-tariff barriers that negatively impact on competitiveness.

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### The Issue

Whilst chemicals are traded globally, there remains a patchwork of varying chemical regulations in the main chemical-producing regions aiming for a comparable level of health and environmental protection. Mutual recognition, in the sense it applies within the EU, is still a distant goal.

For example, regulatory convergence of chemical legislation between the EU and the USA has been an objective of the transatlantic chemical industry in the Transatlantic Business Dialogue (TABD) for a decade. The TABD slogan is "approved once, accepted everywhere". The EU and US chemical industry have worked actively with their respective authorities to progress chemical legislation issues. Useful progress has been made, inter alia, with the provisions related to exemptions for R&D in REACH. However, overall, little progress has been achieved on equivalence agreements or mutual recognition. Even more striking, the results of cooperation achieved in the OECD High Production Volume (HPV) Initiative were not recognised in REACH and the risk assessments made in its framework cannot be used.

Nevertheless, the renewed impetus to regulatory cooperation opens new possibilities for creating meaningful types of collaboration between the EU and US in the chemicals sector.

On a further positive note, a Regulatory Cooperation Forum has been set up involving 15 sectors, one of which is chemicals. The specific objectives of regulatory cooperation in the chemicals sector could include exchange of data/information, personnel and best practices, with a view to arriving at more a harmonised risk assessment of chemical substances. Over time this could lead to significant cost savings for our industry.

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## Our Position & Recommendations

"Approved once, accepted everywhere" remains a long-term objective, but the Regulatory Cooperation Forum is a vehicle to achieve the above realistic and practical short-term objectives. Nevertheless, experience has shown that strong political, "top-down" support is essential in the area of regulatory cooperation as resistance to change is considerable.



**CEMBUREAU** - The European Cement Association - represents the cement industry in Europe. Currently, its Full Members are the national cement industry associations and cement companies of the European Union (with the exception of Cyprus, Lithuania, Malta and Slovakia) plus Norway, Switzerland and Turkey. Croatia and Romania are Associate Members of CEMBUREAU. In 2005, the production of cement in the CEMBUREAU 25 Member Countries amounted to 289 million tonnes, representing about 12.7% of total world cement production (2.27 billion tonnes). CEMBUREAU Members directly employ approximately 80,000 persons.

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## Waste – A Source of Energy and Raw Materials

In today's context of unprecedentedly high energy prices, the long-term competitiveness of the European cement industry can only be maintained if the use of alternative, non-conventional energy sources is further encouraged.

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### The Issue

Security of energy supply is one of the most critical issues confronting the European Union. The cement industry is a very energy intensive industry. On average, energy costs – in the form of fuel and electricity – represent 40% of the total production cost involved in producing a tonne of cement.

The European cement industry has made considerable efforts to reduce its specific energy needs through technological change and investment.

In order to safeguard the competitiveness of the European cement industry, CEMBUREAU Members have been involved in the recovery of selected waste streams in cement plants for many years. In 2004, about 6 million tonnes of waste were used as fuel in CEMBUREAU Members' cement kilns. Substitution of traditional fuels by alternative fuels in Europe is increasing sharply, rising from 3% in 1990 to approximately 17% today. This is the equivalent of saving about 4 million tonnes of coal.

Alternative materials used in clinker production allowed CEMBUREAU Members to make a direct saving of 6.5% of natural mineral raw materials in 2004, which is equivalent to almost 14 million tonnes. This represents an increase of about 50% in comparison to 2001.

A major advantage of energy recovery from the waste in a cement kiln is that the non-combustible ash fraction is recovered as a raw material. Consequently, a simultaneous recovery of energy and materials (non-combustible part of the waste) takes place with no residual waste at all. Recovery operations in cement plants are in compliance with the provisions of both the Directives on the Co-incineration of Waste and IPPC (Integrated Pollution Prevention and Control). In some plants the substitution level reaches 100%, thereby enabling the cement industry to contribute further to:

- Saving energy (negajoules);
- Enhancing security of energy supply of the EU – as most fossil fuels are imported from outside the EU;
- Reducing the emission of greenhouse gases;
- Minimising the depletion of natural resources;
- Improving its competitiveness.

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## Our Position & Recommendations

CEMBUREAU believes that energy and material recovery from waste in the European cement industry is a key tool in any sound environmental waste management policy. There are, however, remaining barriers preventing a successful development of the use of alternative fuels in the cement industry.

As an example, the distortion of biomass market by promoting and/or rewarding the use of biomass in some specific sectors should be avoided.

CEMBUREAU recommends that the waste and related regulatory framework should allow and encourage energy and material recovery from waste in the European cement industry, which is managed under the highest required environmental and safety measures.

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## Addressing Climate Change via Alternative Fuels

Climate change is a global challenge that calls for a global response. It is partially addressed by the Kyoto Protocol. The EU Emissions Trading Scheme (EU ETS) will only be successful if adopted by all major emitters of CO<sub>2</sub> worldwide.

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### The Issue

The European cement industry is committed to contributing to CO<sub>2</sub> reduction in fair and effective ways. In particular, reduction targets must be commensurate with the industry's contribution to emissions.

In the Post-Kyoto era, the adoption of a system such as the EU ETS will only be a valid policy option if adopted, after conceptual improvements, as a worldwide standard. It is also possible that other forms of more internationally acceptable trading will have to be adopted such as, for example, at industry sector level.

The uncertainty resulting from the present EU ETS affects investment in the cement industry, one of the most capital-intensive sectors of the manufacturing economy.

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## Our Position & Recommendations

On the application of the EU ETS until end 2012, CEMBUREAU believes that it should, without modification of the Emissions Trading Directive, allow some form of end period adjustment taking account of the initial allocation. This could be via an adjustment reserve.

CEMBUREAU is of the opinion that the EU ETS could be better harnessed to promote energy efficiency via the recognition of indirect savings (e.g.: through the use of alternative fuels). As explained in the first case, the European cement industry contributes substantially to fossil fuel substitution hence reducing globally greenhouse gas emissions.

CEMBUREAU also urges EU Member States not to resort to auctioning. This would seriously compromise the future of the cement industry and other energy-intensive industries in the European Union. These industries' competitiveness is already impaired by high energy prices. The cement industry is not able to pass such costs on to customers.

**CEPI** - The Confederation of European Paper Industries - is a non-profit-making organisation, representing 17 member countries (15 European Union Member States plus Norway and Switzerland) and, through its member countries, some 830 pulp, paper and board-producing companies across Europe, from small and medium-sized enterprises to multinationals. The industry employs 270,000 people and accounted for € 75 billion turnover in 2005.

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## Waste, Recycling and Sustainable Development

Recycling makes a vital contribution to Europe's sustainable development, economically as well as environmentally. It creates jobs and saves energy and natural resources. The European Commission has stated its aim to make Europe a "recycling economy" and decouple environmental impacts from economic growth<sup>(1)</sup>. The paper recycling industry is already familiar with both aims.

Europe has invested significantly in new recycling capacities and has developed quality management systems. European industries' recycling of paper and board met the ambitious target to push the paper recycling rate to 56% by the end of 2005, making the region the global leader in paper recycling, and paper the continent's most recycled material. A new commitment will set higher targets for 2010.

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### The Issue

In principle, the EU is in favour of recycling. In practice, however, the legal framework for paper and board recycling presents discrepancies and contradictions resulting in additional burdens on paper recycling without any added value for environmental or human health protection. Legislation makes constraints that the industry needs to manage in its everyday business, hampering efforts towards the most sustainable solutions.

Subsidies to other waste treatments hinder the development of recycling. A vital question is how the balance between material recycling and energy generation is to be set. With increased costs (from the European chemicals regulation REACH, for example), the paper industry will not be able to compete with subsidised biomass producers. Incentives for energy recovery and the promotion of renewable energy sources are allowed, and driven by quantitative, national green energy targets. Signs of market distortions are already visible.

More recycling would bring about better environmental, economic and social efficiency. However, the lack of special consideration at EU level for waste generated in recycling operations and management options that are too strict and expensive threatens paper recycling development.

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### Our Position & Recommendations

A clear definition of recycling and a clear distinction of recycling, energy recovery and disposal are needed in the new Waste Directive. A reclassification of recovered paper as a valuable secondary raw material and not waste is also necessary.

To promote higher recycling rates, we urge a clear hierarchy of waste to promote material recycling over energy recovery. Separate collection should also be actively promoted. There should be special recognition for waste from recycling operations and the promotion of cost-efficient solutions for residues treatment.

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## Biomass Electricity

The EU has committed to reducing its greenhouse gas emissions by 8% and to consume 22% of electricity from Renewable Energy Sources (RES) by 2010.

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### The Issue

The European paper industry is the largest producer and user of biomass electricity. Biomass represents more than 50% of its total primary energy consumption. It has committed to perform even better - the Declaration of Intent on RES commits the paper industry to increase the share of biomass-based energy in total primary energy consumption from 49% in 2001 to 56% in 2010. In 2005, the share was 52.4%.

Specific schemes already existing in some Member States include green certificates for biomass based electricity, quotas and exemptions of taxation on the use of biomass based electricity and guaranteed prices for RES electricity.

The European paper industry is worried about unfair competition on the raw material market (both virgin and recycled fibre) resulting from the use of support mechanisms and subsidies. In the short term, shortages of wood are predicted and tensions on recovered paper markets are foreseen. This puts the raw material supply to the pulp & paper industry at risk and could cause higher wood and recovered paper prices and deterioration in competitiveness compared to other part of the world. In the longer term, mill closures, relocation and job losses are real possibilities.

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## Our Position & Recommendations

The high added value and job creation generated by the use of wood to produce wood and paper products should be acknowledged and encouraged. Areas for solutions include hierarchy of uses of wood, equal sustainability/certification requirements for wood biomass versus wood as raw material, facilitated wood mobilisation, short rotation forestry, wood resource assessment.

The Commission and the Member States should secure a satisfactorily level playing field by avoiding subsidies that could significantly distort raw material markets and increase raw material prices dramatically.

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## Road Transport

Freight transport in Europe has risen by 36% over the last 15 years. It is expected to increase by another 40% by 2020. More Member States will become transit countries, with road-transport bottlenecks increasing. Concerns about rising congestion and CO<sub>2</sub> emissions, road safety and noise are growing.

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## The Issue

The paper industry transports approximately 250 million tonnes of raw materials and finished products across Europe annually. Trade within the internal market has developed dramatically, and exports outside the EU have grown along with increasing production over the last 10 years. As with many industry sectors, road is the main mode of transport for European distribution. This will continue to be the case as long as alternative modes of transport (e.g. rail) offer low cost-efficiency, often low quality of services and fragmented networks. In any event, alternative modes of transport will not have the capacity to absorb the expected freight transport increase.

External logistics costs in average 10% of turnover, and further cost increases are expected in the coming years due to stricter safety standards and factors such as road-pricing, Eurovignette and fuel taxation.

At present, maximum gross weight limits for trucks and trailers in Member States vary from 40 tonnes to 60 tonnes and most countries allow 44 tonnes for intermodal container transport.

EU regulation<sup>(2)</sup> limits the maximum length for trucks in the EU and EEA to 18.75 meters. The use of longer trucks and innovative systems such as the European Modular System - EMS - has been common practice for years in Sweden and Finland and has been tested successfully in other countries such as Germany and the Netherlands.

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## Our Position & Recommendations

Road transport legislation should recognise the need for higher capacity and longer trucks. Innovative, cost-effective and sustainable solutions such as the European Modular should be supported.

EMS decreases traffic congestion. It reduces CO<sub>2</sub> emissions - by around 15% at EU level<sup>(3)</sup> - and road wear. At the same time, it offers a cost-effective and safe solution for European shippers and European competitiveness. Built to ISO standards, EMS employs various and flexible combinations of vehicles according to the local infrastructure up to a 25.25 metres length, reducing international trips up to 30%<sup>(4)</sup>. It is also good for developing intermodal transport using ISO standard 20 & 40 feet containers. EMS does not require major investments in equipment and could be introduced fast. It will give stability to future EU demands on vehicle weight and dimensions.

Length and weight limits in the Member States should increase and converge to reduce costs and to facilitate smooth transport of goods throughout the EU as well as to promote the good functioning and completion of the Single Market.

It would add to the competitiveness of the European pulp & paper industry and help achieving the ambitious Lisbon objectives and overall sustainability targets.

(1) For more detailed information on the Commission's aim to make Europe a recycling economy and the relative position of paper as a recycled material, we suggest the Commission's thematic strategy on waste and recycling COM(2005)666  
[http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005\\_0666en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0666en01.pdf)

(2) COUNCIL DIRECTIVE 96/53/EC of 25 July 1996 laying down for certain road vehicles circulating within the Community the maximum authorized dimensions in national and international traffic and the maximum authorized weights in international traffic

(3) Swedish Transport Research Institute - TFK: Improved performance of European long haulage transport - 2002

(4) For more detailed information on the environmental benefits of paper recycling over other recovery options, we suggest the European Environment Agency's study on 'Paper and cardboard - recovery or disposal? Review of life cycle assessment and cost-benefit analysis on the recovery and disposal of paper and cardboard' (EEA Technical report No 5/2006)  
[http://reports.eea.europa.eu/technical\\_report\\_2006\\_5/en/technical\\_report\\_5\\_2006.pdf](http://reports.eea.europa.eu/technical_report_2006_5/en/technical_report_5_2006.pdf)

**CIAA** is the Confederation of the Food and Drink Industry of the EU. With a turnover of € 815 billion, 4 million employees and exports of products worth € 45 billion, it is a leading manufacturing sector in the EU. CIAA is the voice of the sector and has as role and mission to represent interests of the food and drink industries, at the level of both European and international institutions. CIAA membership is made up of: 25 national federations, including 3 observers, 32 EU sectoral associations and 22 major food and drink companies.

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## Innovation, Research & Development

Investment in research and development (R&D) should result in more efficient production, improved food quality, compliance with standards and regulations, development of new markets, reduction of production costs and higher profitability. Increased innovation within the European food and drink sector is essential to maintaining a competitive market advantage and to expanding the European share in value added products on global food markets. Investment in innovation is a key element to meet the Lisbon agenda.

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### The Issue

Investment in R&D reaches only 0.32% of EU food and drink industry output and is constantly below the R&D spending of the food and drink industry in other developed countries. Even large EU-based companies spend per employee only 45% of that which large non-EU food and drink companies invest in R&D. Most innovation indicators of the food and drink sector are below the industry average for manufacturing.

R&D expenditure for advanced technology in the food and drink sector, as in other sectors, requires investment that many individual companies have difficulties financing on their own. The large number of Small and Medium-sized Enterprises (SMEs) in the food and drink industry makes this objective a serious challenge. Of food and drink companies, 99.1% - 279,000 companies – are SMEs, employing 61.3% of food and drink workers and generating 48.5% of the sector's turnover.

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## Our Position & Recommendations

Research networks and pan-European initiatives are important tools to help meet the challenge of under investment in R&D. Equally important is a broad dissemination of the results of initiatives to all segments and companies in the sector, regardless of their size. European Technology Platforms (ETP), such as the *ETP Food for Life*, have a pivotal role in determining orientations and providing the necessary framework for the establishment of public-private and private-private R&D partnerships. They need public recognition and appropriate support. Industrial policy should play a role in improving access to EU R&D funds. In particular, administrative burdens have to be reduced and adjusted to the needs and capacities of partners involved. Public-private partnership models for the food innovation chain should be promoted. EU R&D funds must be oriented towards priority initiatives in food and health, food quality and manufacturing, food and consumer, food safety, sustainable food production and food chain management. These elements are to be supported by effective strategies for communication, training and effective technology transfer. Administrative procedures should be business-friendly: we call for the review of novel food approval procedures, which should be more transparent, less lengthy and offer a simplified fast track procedure for certain applications. Existing legislation, such as on additives, ought rapidly to be adapted to technological development.

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## Reducing Administrative Burden

Administrative burden is the "costs to enterprises for drawing up, storing or transferring information or data stemming from requirements in laws, government ordinances and public authority regulations or instructions contained in general advice" (Swedish Ministry for Industry, Employment and Communications). The cumulative effect can substantially affect competitiveness. As administrative costs are not generally differentiated according to firm size, they also disproportionately affect small companies.

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## The Issue

It is vital to identify and eliminate those sources of excessive compliance costs that are not linked to the attainment of policy objectives but occur due to “red tape” – that is regulations and procedures that are unnecessary, insufficiently clear, inconsistent or disproportionate. Better regulation is crucial to improving the competitiveness of the food and drink sector. The scope for improvement reaches from food regulatory issues, such as GMOs, hygiene and general food law, to environmental legislation and trade procedures. Primary sources of extra costs are: frequent changes in the regulatory environment and lack of clarity of provisions, concepts, and definitions at the EU level, which translate into inconsistent national transposition in Member States (e.g. EU waste legislation, EU Emissions Trading Scheme). The resulting legal uncertainties constitute an extra cost for companies. In addition, inconsistent national implementation triggers extra adjustment costs for companies operating across the internal market and distorts the “level” EU playing field. Another source of potential extra burden relates to the proportionality of legislation, for instance with respect to the compliance burden for small installations in the environmental field (e.g. monitoring and reporting under the EU ETS).

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## Our Position & Recommendations

There is an urgent need for clear provisions, concepts and definitions in EU legislation. Clarity on the EU level is indispensable for harmonised and consistent implementation of EU legislation in different Member States. The case of the definition of waste serves as an example that needs to be addressed rapidly. There is also an urgent need for simplification of EU legislation on food regulatory issues, trade procedures and environmental measures. Further, the burden on companies or installations should be proportionate to the risk or impact stemming from their operations.

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## International Trade: Reversing A Downward Trend

EU exports from our sector are not maintaining their market share, particularly in emerging markets. Although relatively stable or slightly increasing in developed countries such as the USA, Australia, Japan, the performance of EU products in quickly expanding markets such as China, India and Argentina, is showing a downward trend in the share of imports of EU food and drink products compared to imports of other origins.

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## The Issue

The share of EU food and drink products exports on world markets contracted to 18.5% in 2004 as compared to 24% in 1999. High value added food and drink products are not showing growth on exports that could be expected according to market expansion. Production costs, notably due to uncompetitive raw materials used in the EU, are factors that explain, in certain cases, the relatively weak export performance of high value added goods. Despite major EU agricultural reforms undertaken since 2003, through which agricultural raw materials have become or will be made more competitive, there are still concerns about industry access to competitive agricultural raw materials. Tariff and particularly non-tariff problems add serious constraints to the export business. The decreasing share of European imports in non-EU countries is further worsened by the relocation of European companies outside the EU, in particular to countries that have bilateral trade agreements with countries with which the EU does not have such agreements.

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## Our Position & Recommendations

A strategy for bilateral trade relations needs to be developed beyond the conclusions of the Doha Round that remains a priority despite the serious setback that we currently face. The agreement was expected to impose discipline on agricultural supports and improve trade opportunities for food and drink industry products. Bilateral processes need to be pursued in important regions such as Mercosur, the Mediterranean and Asia. Improved market access through reduced tariffs should satisfy particular EU export interests in countries where markets register strong growth and where trade agreements with other trade partners risk putting the EU at a disadvantage. Non-tariff barriers to trade (including veterinary and hygiene measures, food legislative provisions, insufficient or lack of protection of geographical indications and discriminatory taxes) have to be addressed in a more targeted way. The agricultural reform process must be completed with a view to making agricultural production more market-oriented and to increase competitiveness. A review may have to be considered in certain sectors where reforms have already been implemented. If agricultural reform processes do not provide access to competitive agricultural products, it will be essential to ensure that exporters make use of alternative instruments. Systems such as inward processing – allowing for the importation of raw materials at world market prices for processing and re-export after manufacturing – have to be operational and easy to use.

**EURATEX** - The European, Apparel and Textile industry - aims primarily to create an environment within the European Union that is conducive to the manufacture of textile and clothing products. EURATEX represents 55 trade federations from throughout the EU-25 as well as those in candidate countries, and Mediterranean partners, from raw materials to end products (clothing, carpets, home textiles) and industrial applications. The industry employs more than 2.2 million workers in more than 150,000 companies and in 2005 reached a turnover of about € 200 billion of which nearly 40 billion exports outside the EU.

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## Counterfeiting and Piracy

The European apparel and textile industry is keenly aware that major assets in terms of competitiveness are innovation, creativity and originality. These enable us to stay at the forefront of fashion and design, while at the same time being on the cutting edge of technological advances in industrial textiles. There is an urgent need to put in place pragmatic and effective campaigns to strengthen IPR (Intellectual Property Rights) in the EU.

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### The Issue

Today, industry faces a rapid rise in seizures of counterfeit goods at Europe's frontiers, principally from Asia. Discovered cases are certainly only the tip of the iceberg. Yet for several years National Customs Authorities have actively fought against counterfeiting and piracy. The signing of the 1994 TRIPs agreement offered opportunities for stronger action by European authorities against imported counterfeit goods. The problem, however, is not confined to imported goods, and needs to address counterfeits produced within the EU.

While the Commission has not been indifferent to this problem and has tried to develop thinking much still remains to be done. This is the case not only with famous brand names. It is also in the theft and copy of designs and models, enormous numbers of which are produced annually by SMEs, at a time when these companies find it difficult to face the added costs of protecting themselves due to the diversity of national legislations and criminal law within the EU.

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### Our Position & Recommendations

Harmonising national legislations is a long-term objective for the European institutions, since police, judicial and criminal fields remain the exclusive competence of Member States. The European Commission cannot in itself opt for a 'global' approach. Industry needs consistency and effectiveness in initiatives taken at the European level to avoid the common situation where actions are simultaneously conducted and/or financed by different departments or units of the European Commission.

We recommended three actions. A single, multi-sectoral unit should be established within the European Commission whose task would be to ensure the proper implementation of IPR regulations within the EU to strengthen protection against counterfeit goods. This unit would report regularly on the state of legislation country by country, including that of the TRIPs agreement by third countries.



We call for an awareness campaign with those third countries who have yet to adopt the TRIPs agreement into their national legislation. It is in their own interests to safeguard the IPR of their companies.

We would like to see regular awareness campaigns by the Commission bringing together rights holders, customs authorities, police and the judiciary as well as retailers and consumers.

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## Skilling and Re-skilling

The Lisbon Agenda stresses enhanced skills and training to address the challenges of globalisation. Manufacturing industry in the EU is currently facing the dilemma of attracting enough properly qualified young recruits in a period of intense pressure from lower-cost competition. At the same time, moves upmarket or across sectors require re-skilling of workers with years of experience. There is need for clear, coherent and coordinated action by the Commission, Member States and industry.

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### The Issue

An example of this was the end of the quota system for textiles and clothing in December 2004. The change impacted on certain regions particularly severely, especially where there was no immediate alternative employment. It must be recognised, as well, that there is limited capacity within the industry for all companies to move upmarket, or to change its product range, changing for example, from textiles for apparel to industrial textiles. This is particularly the case for SMEs.

Conversely, the promising future of the sector is demonstrated by its annual extra-EU exports, which are in the region of 40 billion. This future, however, will have an increasing emphasis on fashion and quality for apparel and home textile products, and on the ability to meet the highest technical specifications where industrial usages are involved. Both require training and skills.

Industry collectively now needs to co-operate with authorities at regional, national and European levels. The Globalisation Adjustment Fund (GAF) provides forward momentum but its limited financial resources cannot address all the issues.

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## Our Position & Recommendations

To prepare the younger generation for the tasks that they will face in the coming decades requires a holistic approach. Also, current employees should receive ongoing training. Those who have lost their positions should be encouraged to acquire re-insertion skills.

Manufacturing industry itself clearly needs to improve its image by demonstrating that the workplace has become cleaner and more automated. The workplace also requires more skills in terms of quality control, design and logistics than is usually appreciated by the general public.

Industry should seek to forecast those areas where it believes that skills will be in the greatest need in future, comparing them with what exists today and what is lacking.

In co-operation with industry, authorities and educational and training institutions at all levels should establish the appropriate courses to cater for those (present and future) needs. There is considerable scope for wider, intra-European co-operation between those institutions to ensure that specialisation can occur in at least one European centre of learning. There is a case for common qualification standards which will foster mobility across the EU.

For those employees who do lose their jobs, the GAF, together with the European Social Fund (ESF), should be used to create or reinforce large-scale training schemes to improve the employability of production personnel inside or outside their sector. They should similarly advance the implementation of 'waiting' arrangements through job centres or other local initiatives to facilitate finding of new positions where current skills may still be in demand.

**EURELECTRIC** - The Union of the Electricity Industry - represents the electricity industry at pan-European level, together with its affiliates and associates on several other continents.

Our mission is to contribute to the development and competitiveness of the electricity industry and to promote the role of electricity in the advancement of society.

EURELECTRIC has 33 Full Members, based on national representation.

The electricity sector comprises some 3,200 companies serving 275 million customers and employing 800,000 people.

Expected investments in electricity plants and infrastructure total up to € 1,000 billion by 2030.

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## Environmental Legislation – Too Much Complexity

While saluting the European Commission's initiative on "better regulation" to simplify and streamline EU legislation, the electricity industry believes that the principle of regulatory stability and consistency in the interface between energy and the environment is not yet put into practice. Current inconsistencies illustrate this situation, especially lack of market integration and absence of least-cost approach.

Our industry currently faces a complex accumulation of regulation. There are many different directives that have environmental objectives, creating imbalances and inconsistencies. The legislation also fosters a patchwork of national regulations, some of which go further than the European level requirements

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### The Issue

From the industry's point of view the situation creates a double difficulty. One example, as an illustration, is the accumulation of instruments of emission trading and energy taxation as means to internalise greenhouse gas emissions. Lack of coordination among the various Directorates General that are at the origin of these regulations is part of the overall problem.

In addition, the transposition of directives allows a patchwork of national approaches and support schemes to be established. As a result, there is an absence of consistency, of market-oriented approach and of least-cost solutions, worsened by member states adding extra regulations "gold-plating".

The cumulative effect - instability, market-distortion - is threatening the competitiveness and creating an uncertain environment for investment in much-needed infrastructure of electricity generation.

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### Our Position & Recommendations

EURELECTRIC is fully committed to protecting the environment. We believe that a rational and coordinated approach to legislation is vital.

We urge that environmental policy measures should be based on market principles in order to minimise distortions of electricity markets and promote efficiency.

We call on the Commission to simplify regulations, to ensure consistency and orient them toward the market and cost minimisation. This should be done by focussing on primary objectives, reducing the number of secondary objectives and

simplifying policies. Cost need to be reduced by using a single or at least limited set of market oriented mechanisms. Greater harmonisation of both objectives and of implementation mechanisms is necessary to avoid market distortions.

In addition, administration and monitoring requirements should not outweigh the benefits of any legislation imposed. Early actions should of course not be penalised by any revision of legislation.

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## Regulatory Burden – The Case of Large Combustion Plants

Large combustion plants represent a crucial element in the future of power generation in Europe. Their construction is being held back by this patchwork approach to legislation that illustrates the overall difficulties faced by our industry.

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### The Issue

At EU level, the main - but by no means all - legislation consists of the Integrated Pollution Prevention and Control (IPPC) Directive, the Large Combustion Plant (LCP), the Waste Incineration (WI) Directive, the National Emission Ceilings (NEC) Directive and the Ambient Air Quality (AAQ) Directives.

Most important for large combustion plants is the interaction between IPPC and the LCP Directive. The LCPD aims to reduce emissions and imposes emission limit values whereas IPPCD implies Best Available Techniques (BAT).

Approval procedures are extremely lengthy, with many objections and appeals. National courts have revoked a significant number of permits, e.g. the Court of Appeal in the Netherlands has revoked 80% of permits. Lack of consistency in the relevant legislation is the major problem. The complexity encourages attempts to lodge objections and appeals.

In approval procedures for power plants, authorities formulate emission levels based both on LCPD and on BAT associated emission levels, taking into account costs, benefits and site-specific conditions. BREF LCP should, therefore, present the full range of Best Available performances - for both new and existing plant under the expected operating conditions - rather than describing "best ever possible" conditions. It is also important, in the process for site specific BAT implementation, that the technical and economic factors to be taken into account, as provided for in the regulations, to reach a balanced BAT conclusion at each individual installation.

The review of the IPPC Directive includes the potential introduction of emissions trading for SO<sub>2</sub> and NO<sub>x</sub>. EURELECTRIC generally favours market-based instruments. However, on SO<sub>2</sub> and NO<sub>x</sub> emissions trading under the IPPC Directive, we do not see a role for pollutant trading, as this would require a fundamental change in philosophy. Such fundamental changes are beyond the stated objectives of the IPPC Review and would not be supported by our sector.

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### Our Position & Recommendations

Large combustion plants are central to achieving environmental objectives while satisfying demands for power.

The industry has already achieved impressive results and is set significantly to reduce emission to even lower levels that at present. In particular, CO<sub>2</sub>-specific emissions (kt/TWh) from the electricity industry have declined since 1980. Within a time period of less than 10 years, a 40% reduction has been achieved in sulphur hexafluoride (SF<sub>6</sub>). The electricity industry in the EU-15 (1980-2002) and the EU-25 (2003-2004) reduced its emissions by 72% for SO<sub>2</sub> and 45% for NO<sub>x</sub> from 1980 - 2004, although electricity production has increased by 50% since 1980. On fine dust, fossil-fuelled power stations directly emit very small quantities of PM<sub>2.5</sub> (primary particles), that are estimated to account for less than 3% of total EU primary PM<sub>2.5</sub> emissions. Using by-products from coal combustion electricity generators are saving natural resources and reducing in emissions from extracting virgin material.

At European level the aim should be to focus on overall emissions from Member States and on setting general principles, leaving it to individual countries to set the individual criteria on a site-specific basis for each plant.

Full implementation of existing legislation is the key measure to reduce air emissions and to achieve environmental objectives. The impact of this should be examined before further measures are proposed.

EURELECTRIC calls on the Commission to simplify regulations, to ensure consistency and orient them toward the market and cost minimisation.

This should be done by focussing on primary objectives, reducing the number of secondary objectives and simplifying policies. Cost need to be reduced by using a single or at least limited set of market oriented mechanisms. Greater harmonisation of both objectives and of implementation mechanisms is necessary to avoid market distortions.

**Eurometaux** represents the European non-ferrous metals industry whose activities encompass the mining, smelting, refining, semi-manufacturing and recycling of metals such as aluminium, copper, lead, nickel, zinc, high-tech and precious metals. The extent to which these enterprises feed downstream industrial activities means that they have a significant role to play in the European economy. The industry employs more than 400,000 people directly and another 800,000 indirectly, generating an average annual added value of € 91,000 per employee.

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## Access to Raw Materials

For all businesses in the non-ferrous metals industry, undisrupted access to raw materials at affordable and fair conditions is vital for the downstream value chain that relies on metals for countless products. Europe needs a comprehensive strategy to secure this access in the future.

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### The Issue

Several factors have disrupted international non-ferrous raw materials markets over the past few years – and there is every reason to believe that this will continue into the future.

Large-sized economies in transition and emerging countries have entered massively the market for certain raw materials. They are either striving to secure feedstock for their own fast-growing industrial fabric or have restricted, or even stopped, supplying international markets as domestic needs have grown.

Trade and industrial policy measures have been implemented by these countries' authorities, providing their operators with a decisive advantage in the purchase of raw materials and/or investment transactions. Some newcomers, notably China, ignore established business practices, governing transaction terms and material conformity assessment in the purchase of raw materials, as a means to bypass established supply relationships.

Within the EU, environmental policies have introduced constraints on access to, and the development of, natural resources, as well as on the processing and use of raw materials, which have not only created an increasing amount of competitive distortions among operators but have also restricted sources of supplies.

Certain of these factors relate to market forces. But most are the direct or indirect results of state policy. While companies can manage the former, since they should normally trigger desirable market adjustment mechanisms, they cannot indefinitely resist the latter.

International trade distortions have been to date the only focal point of EU policy initiatives aimed at restoring a level playing field in access to raw materials. However, none of the General Agreement on Tariffs and Trade (GATT) disciplines is designed, according to current rules, to address unfair practices on purchasing so that the effectiveness of these initiatives has been extremely limited.

Acknowledging this fact and taking the opportunity of the Doha Development Agenda (DDA) Round negotiations on Market Access and on Rules, the Commission has submitted negotiating proposals regarding new WTO disciplines on export taxes and certain forms of subsidies that may result in discriminatory access to raw materials. In spite of the stalling of the DDA, we hope these proposals will facilitate the adoption of new rules that will provide effective legal recourse against major causes of competitive distortions on the raw materials markets.

Nevertheless, the task is more complex than merely providing new trade rules. This is because the instruments and policy features that give rise to competitive distortions in access to raw materials are not necessarily trade-related, nor are they always operated in isolation from each other.

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## Our Position & Recommendations

A coherent and truly effective strategy to enhance fair access to non-ferrous raw materials can be developed. But this will only happen if there is the political will to give the issue high priority at EU and national level.

A comprehensive approach is required to ensure that a firm engagement to bilateral trade consultations and negotiations

exists whenever legal recourse against competitive distortions is not possible. The vital role of access to raw material supplies needs to be taken into account when shaping EU external policies and identifying priority partner countries for bilateral agreements. It is also important to promote investment in natural resources in development co-operation programmes.

Better regulation and proportionality need to be promoted in relation to the impact of EU Environment Health and Safety (EHS) policies on access to raw materials. Research and innovation need to promote greater efficiency in resources exploitation, recycling and material use.

Europe needs to facilitate sustainable mining and must further develop a real culture of recycling at all levels of society. Certain fiscal policy features that distort the operation of the Internal Market for metal scrap must be corrected.

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## Recycling of Non-ferrous Metals and the EU Regulatory Framework on Waste

Because non-ferrous metals do not degrade or lose their properties during recycling, the metals industry has always included metal scrap and residues in its raw materials feed streams. The industry in the EU has continuously increased its reliance on scrap feed. This makes good sense, as Europe is not endowed with significant natural metal resources while its large consumer market and industrial basis are naturally giving rise to significant amounts of metal scrap and residues.

The environmental benefit of this economic activity is straightforward and can be enhanced by well thought out environmental legislation. Environmental legislation needs to acknowledge the importance of the metals recycling sector by streamlining its various components and developing in a way that is truly supportive of recycling.

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### The Issue

The first EU waste regulation was released in 1975 when the Waste Directive set the basic legal framework for the prevention and management of waste. Since metal scrap and residues have been considered as waste the sector has become subject to ever increasing regulatory constraints and burdens arising from burgeoning legislation. All aspects of our industry's activities, from materials streams and shipments to installations and processes, monitoring and reporting, are now affected.

By aligning to this increasingly complex legal framework, the European non-ferrous metals sector has developed to the highest environmental standards worldwide. At the same time, however, enterprises have been confronted with significant financial and administrative requirements, image problems and competitive distortions resulting from excessive constraints and inconsistent interpretations of the law.

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### Our Position & Recommendations

For many years, we have been striving for a re-balancing of waste legislation. Exclusive focus on the "waste management" perspective has resulted in the development of concepts and rules that often have counter-productive effects on metals recycling. In addition, the social and economic impacts of metals recycling have not been sufficiently taken into account, if at all, and the approach to recycling activities has become disconnected from market realities.

In its Thematic Strategy on Waste Prevention and Recycling, the European Commission has acknowledged the importance of the European recycling sector. The Commission also addresses most critical issues for our industry in its proposal for a revision of the Waste Framework Directive. The latter should result in a reduction of the financial and administrative burden for certain metal recyclables, a reduction of bureaucratic hurdles for companies with regards to permits and double legislation (e.g. IPPC) and the clarification of outstanding issues highlighted by Court cases.

In addition, to be truly supportive of efficient metals recycling, any future regulatory initiatives in the sector should not only conform to the principles of better regulation but should also integrate the life cycle approach. This enables the economic, social and environmental impact of metals recycling to be fully considered.

**Orgalime** as the European Engineering Association speaks for 35 trade federations representing some 130,000 companies in the mechanical, electrical, electronic and metalworking industries of 24 European countries (NACE categories 28 to 33). The industry employs some 10 million people in the EU and in 2005 accounted for some € 1,598 billion of annual output. The industry not only represents more than one quarter of the output of manufactured products but also a third of the manufactured exports of the European Union.

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## Counterfeiting: A Threat to Innovation and Competition

Our industry leads the EU manufacturing exporting sector. Central to competitiveness is the development of innovative and increasingly customised products and solutions. Thus protection of IPR (Intellectual Property Rights) is vital. We therefore appreciate the latest Commission Communication on industrial policy emphasising the needs to protect IPR and to combat counterfeiting.

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### The Issue

Counterfeiting undermines the sales potential of companies – current estimates put counterfeit goods at up to 15% of world trade in products. Counterfeiting damages engineering companies not only in the markets where counterfeit products are produced but also in global markets. It harms companies' brands, which often take years to build up. And rebuilding lost reputation is often hard, if not impossible. Employees and consumers may also suffer safety risks.

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## Our Position & Recommendations

We call for a fundamental change in attitude: the European Commission often considers IPR as a barrier to competition rather than as an essential factor in competitiveness.

Political pressure has to be applied to those third countries where counterfeit products originate and are sold. Europe needs to cooperate with the US and Japan which are similarly concerned.

In problem countries EU and national embassies should provide IPR information and assistance.

We call for the establishment of an EU body to monitor developments and coordinate action on IPR protection at EU level because no single national government is strong enough and too many Commission services are active in this area.

A useful tool would be to require exhibitors at trade fairs to respect IPRs. In cases of infringement, violators should then be excluded from current and future events at the fair where they are in violation. These and even more stringent actions are essential as victims of counterfeiting often cannot rely on usual legal methods of recourse at trade fairs due to their lack of familiarity with the local laws.

Applying for a patent, a very important tool in IPR protection, is much more expensive in Europe than in other parts of the world (including the USA and Japan). As a result, SMEs often refrain from patenting their inventions. Translations are a large part of the cost, thus a Community patent makes sense if only English language is used.

In tandem, IPR enforcement within the EU, both at the borders and in the internal market itself through market surveillance is required without delay.

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## Fragmentation of the Internal Market - WEEE & RoHS

The WEEE (waste electrical and electronic equipment) & RoHS (reduction of hazardous substances) Directives affect a wide range of our industry's products. The implementation of WEEE & RoHS in the EU-25 is a particularly negative example of the fragmentation of the internal market and its impact on the competitiveness of our companies.

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## The Issue

Waste legislation, including the WEEE Directive, is founded upon the sole legal basis of article 175 of the EC Treaty. Given experience of the transposition of WEEE, however, it is clear that basing waste legislation on this article alone risks fragmenting the internal market, in particular where such legislation includes aspects related to products. Member States' transpositions diverge in areas such as the scope of the legislation, marking requirements, national registers, financial guarantees and the definition of 'the producer' and the notion 'put on the market'

Even in the case of the RoHS Directive (despite its being under Article 95), Member States' transpositions differ in fundamental areas. These include the scope of the directive or the application of exemptions to the established substance bans that have been approved at EU level.

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## Our Position & Recommendations

The WEEE directive would benefit from simplification, especially in areas where the internal market is affected. Legislation must be fully harmonised across the EU. We invite the Commission to explore in full the options for simplifying the WEEE and RoHS Directives in the approaching revisions.

To avoid unfair competition, we propose three short-term priority solutions on the WEEE Directive.

First, it is necessary to work towards common interpretation by regulators in all EU countries and regions. Orgalime has published a WEEE & RoHS scope guide to assist.

Second, coordinate national registers. Producers have to register in every Member State. We invite the European institutions to urge Member States to agree upon common procedures and formats. Orgalime has already made proposals.

Third, fully harmonise definitions. Key compliance terms and nomenclature, such as 'put on the market' or 'the producer', have to be identical in all legislation.

Apart from the WEEE Directive, a considerable body of environmental policy and legislation applies to our industry. Overlapping legislation often duplicates requirements and causes unnecessary burdens of administration and bureaucracy. Therefore, Orgalime advocates consistency and coherence of EU policy and legislation affecting our industry.

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## International Standards – Key to Export Markets

The European engineering industry, whose products are predominantly regulated under the New Approach, has established a long tradition of working with harmonised standards, the majority of which are direct – or very close – transpositions of international standards. The framework of New Approach allows the drafting of simpler EU legislation focusing on essential requirements whereas the details of how to be in conformity are dealt with in standards developed by the stakeholders. Orgalime is convinced that the New Approach has successfully contributed to the development of the internal market while ensuring a high level of product safety. Standardisation also allows the speedy development of market-driven norms and standards, thereby facilitating rapid market access at competitive costs. This is true in the internal market. It is also true in global markets.

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## The Issue

With "globalisation" and the rapid emergence and development of new professional and consumer markets, it is important that products be traded under an umbrella of international standards. This allows companies to make full use of opportunities on export markets, which underpins their competitiveness.

Some countries are tempted to introduce unjustified local or regional additions to international standards, thereby making their markets more difficult to access.

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## Our Position & Recommendations

Orgalime strongly supports ISO/IEC standards system in new markets. We call on European regulators to promote international standards as well as the European regulatory system based on the New Approach at an international level.

Local and regional standards should be considered as such and developed in those specific areas only, where international standards cannot be achieved. The common denominator of international trade must be the drive towards achieving international standards, which favour competitive volumes and economies of scale. For new standards and in regions where there are voids to be filled, the preferred option must always be to seek the maximum acceptance and support, that is, by opting for the global solution.

**UNICE** - The Confederation of European Business - represents more than 20 million small, medium and large enterprises. UNICE's members are 39 central industrial and employers' federations from 33 countries, working together to achieve growth and competitiveness in Europe. EU innovation policy is currently being strengthened. In this process, improving protection of intellectual property (IP) and modernising the EU framework for state aid to research and innovation constitute one of the many issues that require close attention.

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## Protecting Intellectual Property

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### The Issue

Intellectual Property rights are exclusive rights for the commercial exploitation of the results of human creativity and inventiveness.

A clearly-defined, proactive policy to protect intellectual property is vital for Europe's innovation capability and competitiveness. Europe is still far from having such a policy, compared in particular with its main competitors, the USA and Japan. A discouraging indicator of this deficit is the EU's failure to agree on a Community Patent.

The patent system in Europe requires further improvement in terms of costs and legal certainty. Compared with the USA and Japan, patent costs in Europe are extremely high, due mainly to wide-ranging translation requirements. These high costs make access to the patent system complex and unattractive, particularly for SMEs. Moreover, patents in Europe are enforced at national level, which can lead to conflicting interpretations by different national courts, even higher costs and legal uncertainty. Strong and effective enforcement of IP rights is a priority for UNICE. In recent years, the growing scale of counterfeiting and piracy has posed a critical challenge to the interests of European companies and needs to be addressed in a global framework. UNICE has always campaigned in favour of a determined fight against counterfeiting and piracy while welcoming all initiatives from the European institutions relating to anti-counterfeiting and anti-piracy measures (for example, for the adoption of the Enforcement Directive and new customs regulation). China is a country of particular relevance due to the serious problems of counterfeiting encountered by European businesses.

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### Our Position & Recommendations

The London Agreement reducing translation requirements for patents granted by the European Patents Office (EPO) should be quickly ratified.

Progress must be made regarding adoption of the European Patent Litigation Agreement (EPLA), which is designed to adapt the European patent system to the needs of companies for legal certainty by setting up a common, integrated, judicial system for litigating European patents.



A truly unitary and cost-effective Community Patent that can fully meet the needs of users for quality, cost-effectiveness and legal certainty is vital. The use of English-only regarding the language arrangements for the Community Patent is the most cost-effective solution.

Speedy and effective implementation of the enforcement directive in EU Member States is essential.

Support must be given to the work of the EU-China IP Working Group to address the IP rights enforcement challenges in China in a collaborative way.

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## State Aid for Research, Development and Innovation

Research and development (R&D) is recognized as fundamental to long-term economic growth and therefore to the living standards of Europe's current and future citizens. In the Communication from the Commission on the 2006 spring European Council, Member States were encouraged to redirect public expenditure towards R&D and innovation and to double state aid for this area.

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### The Issue

To facilitate the design by Member States of effective state aid measures for R&D and innovation, the Commission is preparing a general block exemption regulation for state aid. It will contain a part on R&D and innovation that will apply, together with a new framework for state aid for R&D and innovation, to all state aid measures for R&D.

The level of R&D and innovation should increase and Member States be encouraged to spend more in this area. In view of the Lisbon strategy of becoming the world's most competitive and dynamic knowledge-based economy by 2010 and in particular the Barcelona objective of increasing R&D expenditure to approach 3% of GDP by 2010, of which two thirds should be funded by the private sector, boosting investment in business R&D is one of the EU's key challenges if it wants to catch up with its global competitors.

New state aid rules should make it easier for Member States to grant subsidies for R&D and innovation.

Such rules should not put European companies at a competitive disadvantage vis-à-vis their competitors located outside the EU that do not suffer from state aid constraints.

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## Our Position & Recommendations

The outdated linear innovation model, taken as a reference in the current EU rules, must be abolished. There is a need to create a single category of "Industrial Research and Technological Development" with a maximum aid intensity of 50% of the eligible costs. This single category should replace the categories of "Industrial Research" and "Pre-competitive Development Activity", which enjoy maximum aid intensities of 50% and 25% respectively. The modern innovation process demands that the market potential of R&D be taken into account far earlier than the linear innovation model assumes. Allowing state aid to depend on hypothetical divisions of innovation processes that bear no relation to reality complicates the design of effective measures.

Flexibility is needed with respect to the requirement that state aid must persuade companies to pursue research that they would not otherwise have pursued. Fulfilling this requirement is extremely difficult for companies. An example is cases where multiple R&D projects run simultaneously or the firm's contribution to a single project is relatively small compared with its overall R&D budget.

European companies should not suffer from a competitive disadvantage vis-à-vis their competitors located outside the EU that are not affected by R&D subsidies control.

The Commission should seek to establish a global level playing field for R&D subsidies.

The EU should refrain from requiring Member States and companies to submit comprehensive economic information about relevant markets and companies' strategies to justify the aid measure for each R&D state aid notification. R&D and innovation are general cases where market failures apply and there is a role for government intervention.

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## Cases for a Competitive European Industry

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