

Ensuring a **positive** contribution to the future of **Europe**



Alliance for a Competitive European Industry

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A competitive European industry is essential to Europe's potential for **innovation**, its **prosperity** and the **well-being** of its citizens.

Industry produces the goods which citizens desire and need, and provides high-skilled employment, income and training. In the EU-27, the manufacturing industry repre-

sents more than 17% of Gross Value Added (GVA) as well as direct jobs accounting for 16% of total employment, creating wealth, generating services, stimulating essential research and innovation, and providing European goods and services to consumers worldwide.

Industry is a full partner of society, striving to ensure added value for consumers, employees, shareholders and other stakeholders in an increasingly complex and global society, with rapidly growing needs and expectations in terms of environmental protection, energy saving and sustainable use of resources. In order to maintain a significant and prosperous production base in Europe which meets the sustainability expectations of European society, as well as to ensure a knowledge-based economy, industry and public authorities need to act jointly and make sure that the clear commitment to the EU's strategy for growth and jobs still prevails. Policies must not result in a massive transfer of wealth from industry to public finances leaving industry with no means to invest in what society expects, namely technologies to achieve a low carbon society.

A partnership between authorities and industries must be built to allow European industry to improve its position and remain a world leader.

Industry therefore calls on the European Commission, the European Parliament and on the Member States of the European Union (EU), as these also play a key role through their National Reform Programmes and envisaged initiatives to promote research and innovation, to work together with industry in order to define clear solutions to current and future challenges. European industries are able to contribute to the solutions. However, these solutions cannot be achieved if industry is consistently faced with consequences which are detrimental to its survival. The EU must therefore listen and take on board industry's concerns so as to identify mutually agreeable strategies and solutions.



Industry's contribution to the European Union

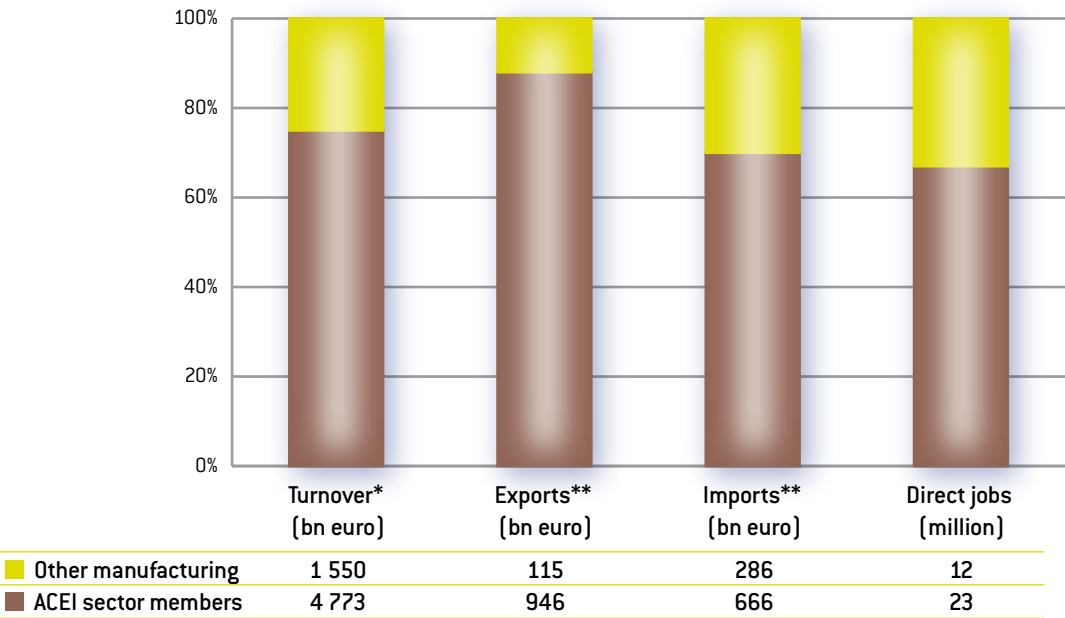
The manufacturing industry continues to play an important and significant role in the EU providing direct employment to around 34 million people in Europe, with a combined turnover of over 6 trillion euros, as well as exports totalling around 1 trillion euros.

Industry needs the EU to provide a favourable business context in which investors have trust, in which management can take the best decisions to guarantee sustainable growth and in which creativity is recognised and allowed to contribute to innovation and the adaptation of current approaches and technologies.

It is essential that the EU takes stock of the **contribution of industry** to the competitiveness of Europe, as well as to the day-to-day life of Europe's citizens.



Alliance for a Competitive European Industry (ACEI)
Key structural indicators (2007)



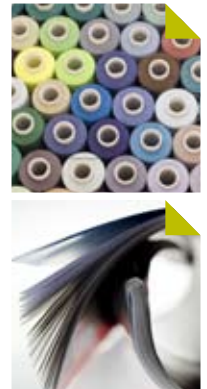
* Excluding oil refining activities ** Excluding electricity trade
Source: Eurostat & ACEI

Allowing Europe's industry to contribute towards meeting societal challenges and needs

Today's society faces a vast number of challenges which also have a direct impact on industry at every level. These include: globalisation, shareholder power, higher energy and feedstock costs, climate, demand for corporate social responsibility, sustainable development, safety/security concerns and risk aversion. In future industry will also face additional challenges including limited growth potential in Europe, increasing migration of consumer industries to low-cost countries, growing commoditisation, increased competition from Asia and the Middle East, and additional regulation. This is the framework, in radical transformation, in which the industry of today and tomorrow will have to compete effectively.

Solutions need to be found in order to tackle the key challenges posed by sustainable development. However, these solutions must ensure that industry remains competitive and that Europe remains a lead-

ing industrial and particularly manufacturing platform able to contribute to major world challenges. Industry of tomorrow can contribute towards resolving future societal problems, in areas such as health and the ageing of the population, energy, and nutrition. In addition, industry is committed to striving to use less energy and fewer raw materials whilst continuing to develop highly innovative products and addressing society's expectations in terms of safer products, cleaner processes and less waste.



Industry will continue to proactively listen, understand and respond to **societal concerns**. At the same time, it is essential that governments and other stakeholders be willing to work with industry to ensure its ability to **undertake** these developments in Europe, rather than outside.

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Working together for a Sustainable Industrial Policy

Without exception, European industries have and continue to adapt their processes and products to meet the highest sustainability criteria. In order to maintain this momentum, it is essential that industry receive the necessary support from the EU to ensure continued investment in the research and development of products and technologies which contribute towards a low carbon, energy efficient economy. Prescriptive eco-design requirements would, in most cases, hinder companies' capability to innovate and to improve the overall performance of products.

The sustainable consumption of manufactured products is intrinsically linked to their sustainable production and requires the involvement of the whole supply chain, from raw material suppliers to manufacturers, retailers and

consumers. Sustainable Consumption and Production (SCP) policies must draw on their expertise in identifying the key life-cycle challenges and in finding the right solutions to address them, not just focusing on restrictive and bureaucratic measures. No single actor can achieve supply chain sustainability in isolation. Consumption related measures (such as eco-labels and green procurement) must be based on harmonised, science-based and clear criteria.

As such, it is essential that Europe increase its support for **European industries** to enable a continuous ability to invest in and develop energy efficient technologies and products capable of meeting current and future challenges.

Allowing industry to provide solutions to environmental challenges whilst remaining in Europe

Industry supports the EU's objective to act as a leader in worldwide efforts to address the climate change issue and take appropriate initiatives to achieve an international agreement on this global challenge consistent with the EU's own commitments. Industry must, however, at the same time highlight the crucial fact that in order to be successful, industry is the key solution provider for the climate change challenge and the need for energy efficiency. A healthy and competitive European manufacturing industry is a condition *sine qua non* to develop the innovations and technologies needed to achieve a low carbon and energy efficient society as a whole.

In essence, climate change is a global problem requiring global solutions. As such, it is imperative that legislation in this area does not lead to a wealth drain that would

ultimately give rise to carbon leakage, which would make no environmental sense. It is important to note that, according to the Commission, full auctioning of CO₂ allowances will cost the companies covered by the ETS an estimated 69 billion euros (at a CO₂ cost of 39 euros per tonne) by 2020. This sum is likely to go to the Member States' public accounts with the risk of having no benefit for climate protection.

The European Union must, therefore, adopt a comprehensive, **integrated strategy** that sends a clear signal to industry, which allows a predictable and favourable investment and innovation climate and guarantees a **sustainable** competitive position for each sector.

European industry and the importance of sound socio-economic policies

Social policies are a vital part of the framework in which companies operate. In the field of social policies, more adaptability will contribute to improved competitiveness. The challenge for Europe is to improve productivity and innovation. In this context, attracting and finding human resources is one of the most cited barriers to innovation. The issue of education and training has gained momentum at European level over the past five years as the lack of skilled labour has become ever more acute across all industry sectors in Europe. It is vital that our workforce is equipped to meet the needs of companies and the challenges of both globalisation and ever

increasing technological changes. This can only happen through the provision of high quality education and training, together with all relevant stakeholders investing in a commitment to lifelong learning. In the context of globalisation, labour market adjustment is particularly important in ensuring that resources are redeployed swiftly and efficiently in accordance with new areas of comparative competitive advantage. The rigidity of over-protective labour laws is not appropriate for the need to adapt rapidly to economic changes and has become an obstacle to the creation of employment in the labour market.

The future of Europe is founded on skills, knowledge and innovation. The EU and Member State governments need to **work together** with industry in drawing up and implementing policy reforms which also reflect this fact.



Removing unnecessary regulatory burdens which have a negative impact on competitiveness

Overdone and unnecessary regulatory burdens continue to have a negative impact on employment and wealth as a whole. European industry is, therefore, very concerned about the increasing volume of EU legislation with which it has to contend (especially when compared to other economic regions of the world) as well as the quality of some of the new legislation and its practical implementation at Member State level. Uncoordinated and often inconsistent regulation is endangering the smooth and equitable operation of the Internal Market and is also causing legal uncertainty for business. Although legislation may be imperative in certain areas, it is not the only possible approach. Alternatives to legislation can provide equivalent or even more effective guidelines to market players and must be given due consideration. When legislation is necessary, it must be science-based, proportionate and enforceable.

Industry calls, in general, for a more integrated approach in industrial policy which would encompass the inclusion of all relevant parties involved and follow the guiding principle of cost-effectiveness. Policy makers must ensure a transparent and proper assessment of the impact of new regulation on competitiveness, economic growth and the aimed for goals of regulations themselves.

Industry welcomes the positive trend in the preparation and application of impact assessments on regulatory proposals. However, impact assessments are still not fully utilised as a tool to design better regulation but rather to refine preset policy options, requiring a different mindset. Industry does appreciate that impact assessments are now carried out more frequently and at a higher level of quality under the watch of the new Impact Assessment Board. Nonetheless, these must be made public before the

legislative proposals are finalised and all stakeholders must be able to contribute to their conclusions. Impact assessments should also analyse how future regulations will affect the global competitiveness of Europe's industries and identify the possibility of engaging in regulatory convergence – especially with the US.

It must be ensured that legislation does not place an unnecessary burden on the European industry, resulting in a significant threat to the EU's competitiveness vis-à-vis the other trading blocks. In this regard, the EU needs to make a more **concerted effort**.



Ensuring an innovation-friendly environment to meet the commitments of the Lisbon Agenda

There is a general recognition that one of the reasons why Europe's competitiveness is lagging behind that of some other regions is the lower R&D expenditure in Europe both in terms of overall research intensity and in absolute terms. Industry therefore strongly supports the EU's aim to increase its overall R&D expenditure. Supplementary EU funds for R&D will stimulate cooperative research and generate additional private funding. They will, at the same time, provide a clear signal that the Commission and the Member States intend to fulfil their commitments in respect of the Lisbon Agenda. Particular attention should be given to small and medium enterprises (SMEs). Projects

aimed at facilitating technology transfer and training for SMEs are of key importance to help SMEs remain or become more competitive. The conditions for their participation must, however, be sufficiently flexible to entice them to participate.

Industry therefore urges policy-makers to ensure that the EU's R&D ambitions do not become diluted. In addition, the European Technology Platforms (ETPs) must achieve their role in focusing R&D funds in a cost efficient way, maximising opportunities and access to research as well as delivering results and projects that tangibly contribute to improving competitiveness.



8 The goals of the Lisbon Agenda need to be strongly reconfirmed, respected and reinforced by the EU and its Member States. Creating **innovation-friendly markets** is essential to facilitate the conversion of research results into **successful** innovations. This is particularly important as too often inventions are European, but the innovative application happens first outside Europe. This costs both jobs and future markets.



Ensuring a level playing field in global markets

External policies must contribute to the EU's industrial competitiveness not only by opening markets in regions experiencing strong economic growth, but also by improving and securing long-term access to raw materials or energy resources unavailable in the EU and by maintaining effective legitimate trade defence instruments to address unfair trade and state subsidies.

Industry expresses its serious concern about the continuous erosion of ambition within the current Doha round of World Trade Organisation (WTO) negotiations on Non-Agricultural Market Access (NAMA) and calls on the EU to ensure that the final Doha deal provides real market access for European exporters in both OECD and emerging countries. In addition, WTO rules should be improved to address trade distortions and subsidies and to reduce customs barriers and costs.

The EU must also:

- Pursue reciprocal free trade negotiations with important economic partners, ensuring that markets are opened to European exporters and establishing a level playing field for trade and investment

- Strengthen the Market Access strategy to tackle the growing number of non-tariff barriers – especially in key emerging markets.
- Remove all trade distortions and restrictions to access to raw materials or energy resources on the world market and engage firmly in actively promoting new WTO rules addressing export restrictions and especially export taxes, import subsidies and dual pricing.
- Improve policies to enforce multilateral and bilateral trade rules by strengthening the trade barriers regulation and the resources it devotes to the enforcement of trade rules.
- Maintain effective, legitimate and impartial trade defence instruments to counter unfair trade practices, state subsidies and other state induced distortions.



Industry therefore calls on the EU to ensure real, **worldwide market access** for European industries, allowing them to compete on a level playing field.

Need to boost Intellectual Property Rights (IPR)

Successful innovation relies on efficient IPR laws which provide businesses with a reliable legal framework within which transactions in technology can efficiently and safely occur. Enhancement is always desirable in the field of, for example, Patents and Data Protection and the legal protection of Confidential Business Information.

In addition, industry calls upon the EU to monitor the situation in third countries, where IPR are often not **respected**. European industry must have the support of the EU in this matter to prevent the erosion of its IPR.



About us

› ACEI

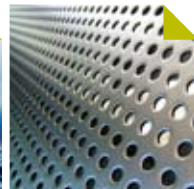
The **Alliance for a Competitive European Industry** was formed in 2004 by 11 major European industry sector associations* and BUSINESSEUROPE. The common objective of its Members is to promote the competitiveness of European industry on a global scale. The Alliance therefore encourages a policy and regulatory framework that supports that objective, reinforcing and complementing BUSINESSEUROPE'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 trillion euros turnover and 1.3 trillion euros added value. These companies directly employ about 23 million people in the EU.



› GFI

The **Group of Industrial Federations** (GFI) gathers France's largest industrial federations, all of which are members of the Medef (French business association). Since 1988, its role is to promote the competitiveness of French industry on a European and global scale. GFI thus represents more than 90% of the French industry. 82% of exports and 85% of the research and development in the French private sector rely on industry. The industry sectors concerned represent the interests at French level of some 160 000 companies generating a consolidated turnover of 940 billion euros. Industry in France directly employs 3.7 million people.

* automobile, chemicals, cement, pulp & paper, food & drink, textile & apparel, electricity, iron & steel, non-ferrous metals, oil refining and engineering industries.



➤ ACEI Members



➤ GFI Members



