

Brussels, 21 January 2010

## Commission Consultation on the Future “EU 2020” Strategy COM (2009) 647/3

### 1. INTRODUCTION AND GENERAL EVALUATION

The engineering sector Orgalime represents plays a key role in Europe today and looks forward to continuing this in the future: at an economic level – by contributing significantly to the overall economic output of the EU; at a social level – as a major provider of employment and benefits to society and individuals; and at a technological level – as a driver and enabler of innovation.

We welcome the Commission’s consultation paper and the idea of developing a longer term vision for the EU at a time when Europe is facing a number of changes and challenges.

We share the Commission’s vision that industry, as a driver of the real economy, will play a key role in moving towards a new sustainable market economy which will provide sustainable growth and employment, including, but not only, by becoming a smarter and greener economy. Our industries have long recognised the growth opportunities offered by green, smart and energy-efficient products as outlined in the ELECTRA report<sup>1</sup> and recently confirmed by the Commission’s ELECTRA Communication. We therefore welcome the Commission’s continuing focus on industrial policy and we hope the new Commission will continue to build on the work carried out in collaboration with the outgoing Commission with our industry in various high level groups (EnginEurope and ELECTRA<sup>2</sup>).

We believe that European industry can aspire to maintaining a leading role in the world economy. However, in order to do so it needs to be able to compete on an equal footing with other regions of the world so as to be able to realise its full potential. This is becoming all the more important at a time when, as reported in the Commission’s report “The world in 2025 – rising Asia and socio-ecological transition”, we see growth shifting rapidly to other parts of the world such as Asia while Europe still struggles to emerge from the economic crisis. The policy measures deriving from a future “EU 2020” strategy will need to take account of continuing globalisation and trends outside Europe.

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<sup>1</sup> ELECTRA report and Communication on: <http://ec.europa.eu/enterprise/sectors/electrical/competitiveness/>

<sup>2</sup> In May 2009 the Competitiveness Council concluded that the electrical and electronic industry is one of the key sectors to maintain a competitive and strong industrial base in Europe.

*Orgalime, the European Engineering Industries Association, speaks for 33 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 22 European countries. The industry employs some 11.1 million people in the EU and in 2008 accounted for some €1,885 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.*

Although we appreciate that the Commission is at the stage of consultation, we believe that it is essential, in particular for an industry such as ours which provides one third of the manufactured exports of Europe, to consider the position of Europe in the global economic context.

Nevertheless we would like to emphasise that:

- The success of our industry in Europe has been built upon the development of the internal market, which still needs to be strengthened. We are therefore concerned that the development of national 5-year objectives should not lead to undermining the internal market through the development of national measures in areas such as environmental legislation and policies to deal with the consequences of the financial and economic crisis: these may well lead to market distortions. Orgalime moreover believes that the EU 2020 strategy should still indicate some quantitative targets for key priorities in order to allow benchmarking between Member States.
- We feel that a future “EU 2020” strategy should focus much more on implementing measures and concrete proposals than on the design of a vision for Europe in 2020 that could be interpreted in several different ways: therefore Orgalime recommends that positive industrial policy initiatives of the Commission together with industry stakeholders such as the EnginEurope (mechanical engineering) and ELECTRA (electronics and electrical engineering) should be built upon in the “EU 2020 Strategy” because the proposed policy recommendations are based on a common assessment of the industries’ situation and on the way forward: for our industry, building upon these policies will allow Europe to become “first mover” towards a society of the future through developing competitive innovative products and rolling out the infrastructures of the future.
- The new EU guiding principle according to the Commission working paper would be to aim at a social market economy by becoming a smarter and greener economy. However if the EU is to “show global leadership in demonstrating” that its new guiding principle can be translated into reality for example in climate change negotiations we strongly call on the Commission to assess and take into consideration the global competitiveness of European industry when taking such steps and where possible seek global solutions.

## 2. EVALUATION OF KEY PRIORITIES AND INSTRUMENTS TO MAKE IT HAPPEN

In November 2009 ORGALIME issued the Manifesto: “Manufacturing Matters. A policy vision of Europe’s largest and most diversified industry“, which outlines the Orgalime vision for the future and provides key recommendations in areas that are included in the Commission’s consultation document. This document is annexed to the present position. We wish however to highlight certain issues in particular hereafter which we feel will be essential to the development of the smarter and greener economy and the design of a new approach of industrial policy to be included in the Communication on the “Future EU 2020 Strategy”:

### 2.1 Increased investment in R&D creates the best basis for innovation

Industry in general is the key to technological progress, including in the area of services. This is why over 80% of the EU’s private sector R&D expenditure is invested in manufacturing. On the other hand OECD data on R&D expenditure suggest that, for example, the R&D quota in mechanical engineering in Japan and the US (since 2005) is above that of the EU member states with the highest R&D quota; R&D expenditure in the sector in China is also on the increase<sup>3</sup>. It is therefore essential that the Commission’s future Communication should focus more on how to

<sup>3</sup> See *VDMA Nachrichten September 2009*

improve the framework conditions for ensuring that European co-funding in the area of R&D and innovation really acts as a multiplier of the funding provided by the private sector for financing projects in which companies are prepared to invest. We believe that, at the present time, European Research Framework Programme rules and the content of the programmes are ill adapted to the needs of the largely SME industry, which Orgalime represents. If the Commission has taken a step in the right direction by setting up the Joint Technology Initiatives, these now need to be adapted to the needs of smaller companies. We furthermore call on the Commission to review the existing access to SME programmes by raising both the employment limit from 250 to 1000 persons and the turnover ceilings. This would already provide simplification for companies within the present rules.

## **2.2 Access to credit is essential to growth and completion of innovation**

After the crisis, many of our companies, including in particular SMEs, are concerned that they will not be able to finance a potential upswing of economic activity forecast for 2010/2011 due to the problem of access to finance or unusually expensive money. Orgalime therefore believes that the Commission should go much more into detail on how this issue could be tackled at the EU level. While Orgalime calls on the Commission to impose strict conditions on state aid granted to financial institutions in order to entice continued and sufficient lending to the real economy, we are concerned that the Capital Requirements review proposals are most likely to trigger a massive curtailing of the extension of loans by the banking sector. Hence, the implementation of the envisaged changes should be postponed until economic recovery stabilises in order not to reinforce the problem of access to finance. In the medium term the EU should aim at establishing an integrated European venture capital market.

## **2.3 Education: Attract more young people to technical studies and professions**

Orgalime believes that education plays a crucial role in developing an innovation-minded culture in Europe. We need to overcome the potentially fatal situation of young people's low interest and poor skills in science and engineering, as well as the limited appeal that careers in the manufacturing sector present for them including apprenticeships where offered by companies. If Europe wants to transform the EU into a smarter and greener and more competitive economy as suggested by the EU 2020 strategy paper, then the first issue to work upon will be to attract young people to this policy and to make them aware of the role that they, with the help of technical and scientific knowledge can play for creating and implementing this vision of tomorrow.

## **2.4 Greening: stimulate the uptake of technological solutions in the markets**

Greening the economy will only result in opportunities which outweigh the constraints created for our industries if our companies' innovative products are taken up in the market. We believe that the Commission and political decision makers have a crucial role to play to design measures that help to stimulate the market uptake of for example energy-efficient and greener technologies and thereby effectively create success stories here in Europe which will underpin our export markets: we need markets for European designed and made solutions. If the innovative products and solutions find a market here in Europe there is greater chance that they will continue to be developed in Europe and exported to other countries of the world. Nevertheless it is also essential not to forget that our industry also provides the technological solutions to all other sectors of the economy including societal challenges such as growing urbanisation, ageing and mobility.

## **2.5 Fully exploit the single market while thinking of legislative burden for companies**

Orgalime welcomes the Commission's clear commitment to the Single Market and its aim to overcome remaining fragmentation in certain areas. However it is essential to realise that our companies have to deal with a considerable body of legislation which is highly complex, changes frequently and bears a disproportionately high cost to apply, compared to the benefits that much of such legislation is supposed to provide. Simpler legislation as well as proper and efficient market surveillance to ensure a level playing field in the market throughout the EU are becoming ever more essential.

## 2.6 Stronger focus on external markets

Finally, we wish to stress the importance that exports represent for our industry: according to the recent OECD economic outlook Asia and particularly China will lead the economic recovery and be a source of strength for the rather feeble recovery of the OECD countries. In order for the European industry to be able to benefit from strong growth in other economic regions and from its leading role in green and energy-efficient technologies, the opening-up of global markets and the fight against protectionism must remain at the top of the EU's political agenda. We support the ideas mentioned in the consultation paper, for example on bilateral agreements with other important trading partners, but stress that the Future "EU 2020 Strategy" should focus more on concrete measures to facilitate access to global markets for our export-oriented industries and to ensure the protection of our intellectual property rights in global markets.

**Annex: [Orgalime Manifesto "Manufacturing Matters: A policy vision of Europe's largest and most diversified industry"](#)**



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