



Mr. Neoklis Sylikiotis
Minister
Ministry of Commerce, Industry and Tourism
6, Andreas Araouzos street
1421 Nicosia
CYPRUS

6 December 2012

Dear Minister,

Competitiveness Council meeting on 10-11 December 2012

A strong industrial base is vital for economic growth and prosperity. Industry is a key driver of technological progress – over 80% of private sector R&D expenditures across the EU are spent in manufacturing. Industry is also the engine for trade – it provides three quarters of EU exports. And it supports development of a wide range of services such as transport, communications, financial services or real estate.

This reality seems to have been neglected by policy-makers. The severity of the crisis is producing a painful hangover. Between 2008 and 2012, 6.8 million jobs in construction and industry were lost across the EU. The upward trend of energy price for industry (up by 28% between 2003 and 2011) is also becoming a significant disadvantage vis-à-vis global competitors. This has rightly prompted renewed attention to the importance of a strong and competitive European industry.

The new industrial policy communication published by the European Commission in October 2012 is an important step. The objective of increasing the contribution of European industry to the EU GDP is the right political signal to have competitiveness at the centre of EU policy-making. With the right policy framework conditions, European companies will be in a position to bring growth and jobs in Europe.

Industrial policy clearly requires not merely a strong political commitment at European level but also ambitious follow-up action and implementation at national level. The objective must be to ensure regulatory stability and to reverse the upward trend of cumulative burdens for all companies. Industrial competitiveness needs to be given material form by applying an integrated, coherent and coordinated EU industrial policy strategy, which primarily aims at attracting investments into the EU.

In view of your debate, BUSINESSEUROPE counts on you and your counterparts to support a streamlining of industrial competitiveness into the wider policy agenda and in particular in the following areas:

- **Making EU and national legislation business friendly**
Industrial competitiveness calls for smart regulation to avoid initiatives which generates new burdens and costs on companies. BUSINESSEUROPE strongly encourages the focus on “competitiveness proofing” of all new EU legislation and a strong leadership of the Competitiveness Council.



- **Protecting intellectual property rights**
The protection of intellectual property rights (IPRs) needs to be safeguarded as it is essential for companies to invest in research and development in order to generate innovative products and solutions.
- **Boosting access to capital markets and investments**
Europe is facing a severe lack of investment. Financial and regulatory stability is required to increase access to capital markets and to boost industrial development.
- **Making industrial and social policies converge**
Europe's industrial and employment policies need to converge in improving labour competitiveness to foster job creation in the manufacturing sector.
- **Ensuring an appropriate state aid framework in the single market**
State aid rules play a key role in the regulation of the single market. The application of competition rules and efficiency criteria in public spending are key at a time when Member States are looking for growth measures with limited budgets.
- **Making public procurement rules smart**
Public procurement, accounts for approximately 18% of EU GDP and is vital for industry. It is crucial that its framework is balanced, avoids legal uncertainty and safeguards transparency, market openness and competitive tendering.
- **Securing access to raw materials**
The competitiveness and sustainability of European industry is highly dependent on fair, secure and uninterrupted access to raw materials.

Our views are set out in further details at annex.

We remain at your full disposal if you want to discuss these or other points further.

Yours sincerely,

Philippe de Buck

Encl.: 1

Annex: A strong, coherent and coordinated EU industrial policy strategy to foster competitiveness and growth in Europe

Making EU and national legislation business-friendly

Industrial competitiveness calls for smart regulation. BUSINESSEUROPE strongly encourages the focus on “competitiveness proofing” of all new EU legislation and calls for further integration of the single market. Further efforts are needed in terms of smart regulation, a cornerstone for an integrated EU industrial policy, which makes sure that EU legislation in all policy areas strengthens the competitiveness of European industry. It is also important to improve national legislation and eliminate remaining regulatory barriers that prevent exploiting the full potential of the single market, in line with smart regulation principles and through benchmarking. As proposed in the new industrial policy communication, potential for Member States to use competitiveness proofing in the context of national impact assessment should be further exploited.

In addition, the application of horizontal sectoral “fitness checks” to serve as an overview of the main policies affecting a single economic sector has also to be seen positive. However, it has to be ensured that these “fitness checks” do not lead to further burdens and are aimed strictly at removing unnecessary existing burdens. In this context, the Competitiveness Council should strengthen its leadership.

BUSINESSEUROPE calls on The Council to follow-up concretely to their commitments to a better functioning single market, and engage in overcoming remaining barriers that hamper business from operating and competing across borders.

Protecting intellectual property rights

Europe needs to increase its research and innovation investments and to bridge the gap between research and market deployment. The protection of intellectual property rights (IPRs) is essential for companies to invest in research and innovation.

The Commission’s proposals to mitigate problems resulting from alleged abuses of IPRs risk are undermining industrial, investors and capital market confidence. The proposals to regulate the licensing terms of technology transfer will seriously discourage investment and the availability of new generation of technologies. They will also significantly increase the possibility of regulatory intervention in the development and implementation of technology standards that are already high-risk undertakings.

We also urge the Council to finally adopt the patent package which is key to reducing patenting costs and boosting Europe’s growth and innovation¹.

¹ CEOE does not agree with the current package because it considers it creates discriminatory competitive disadvantages and does not provide a level playing field.



Boosting access to capital markets and investments

Today, the availability of capital is a key element for recovery and growth of European industry to carry out investments to spur research of new technologies and to increase competitiveness. However, access to finance is becoming a pressing issue for companies and constitutes a major problem.

In order to boost industrial investment it requires traditional public funding, but more importantly improved access to equity and debt markets. Europe has to strengthen its efforts to reinforce financial stability that is backed by a solid and integrated financial system. This is vital to reactivate the attractiveness of private investment in companies and so strengthen equity markets in Europe. EU actions such as a financial transaction tax in fact discourage investment in Europe. It harms the European equity capital market and leads to a competitive disadvantage compared with Europe's competitors.

Making industrial and social policies converge

Europe's industrial and employment policies need to converge in improving labour competitiveness to foster job creation in the manufacturing sector. Unfortunately, this is missing in the employment package recently published by the Commission. Making labour in Europe more competitive and productive, in line with the Europe 2020 strategy and national flexicurity strategies, is a key factor to achieve employment growth and smoother reallocation of employees in line with economic change. By contrast, managing the social consequences of restructuring is and should remain the responsibility of social partners at the company level. An EU framework on restructuring would go at odds with current efforts to prioritise measures fostering growth and jobs as many companies are struggling to come well through the crisis.

The competition for talents is increasingly fierce in knowledge-based economies. Action is needed to meet the needs of the labour markets today and tomorrow both for highly skilled and medium skilled jobs. Spending on education should be prioritised by Member States and made more effective to achieve tangible results. In 2015, the estimated shortage of qualified ICT staff in the EU will be up to 700,000. In view of current and projected skills shortages in ICT and science, technology, engineering and mathematics more broadly, it is important to widen the appeal of these subjects to young people. As regards medium skills, what is needed is a comprehensive European strategy on apprenticeships to help all EU countries that so wish to develop well-functioning dual learning apprenticeship systems. Together with Member States, BUSINESSEUROPE looks forward to bringing a positive contribution to the EU alliance for apprenticeships that was announced on 20 November by the Commission in its Rethinking Education Communication.

Ensuring an appropriate state aid framework in the single market

State aid rules play a key role in the regulation of the single market. The application of competition rules and efficiency criteria in public spending are key at a time when Member States are looking for growth measures with limited budgets. Europe is experiencing extremely difficult economic times, high unemployment levels and very



limited growth prospects. Particularly in the context of industrial policy, for the reasons mentioned above it is key that the current modernisation process maintains a strong focus on stimulus and growth.

At the same time, achieving more effective enforcement, less distortions of competition and more objective and uniform application of the rules at national level, in particular through increased commitment from Member States, stronger investigative powers for the Commission and concrete consequences in case of non-compliance are very important.

Finally, in light of the EU's goal of a coherent and coordinated EU industrial policy strategy, BUSINESSEUROPE highlights that changes to the regional aid guidelines should properly reflect the political goals of the cohesion policy 2014-2020. It is particularly important to recognise the fundamental role of large enterprises in supporting regional development. Given the insufficient evidence on potentially distortive effects of regional aid to large enterprises, limiting regional aid to SMEs does not appear to be justified. Also, any potential redefinition of regions eligible for regional aid should be conducted with utmost caution, as to avoid the creation of excessive cross-region disparities in assistance.

Making public procurement rules smart

Public procurement, accounting for approximately 18% of EU GDP, is vital in enabling industry to grow stronger, more competitive and more efficient. Public authorities have an important role to play by using their purchasing power to procure goods and services that contribute towards innovation, respecting the environment and fighting climate change, reducing energy consumption, improving employment, etc. In this context, better use can be made of demand-side policies, in particular through smart public procurement policies.

However it is absolutely crucial for public procurement to safeguard transparency, market openness and competitive tendering. In the context of the ongoing revision of the EU's public procurement legislation we call for real simplification efforts that preserve the openness of Europe's public procurement market and do not give way to discrimination, which would be detrimental to companies, especially SMEs. We are concerned about the direction the negotiations are heading in and urge you to take account of these important principles at a time when more than ever public authorities need to achieve efficiency in public spending and ensure the best economic value for taxpayers' money.

It is also essential to prevent over-prescriptive provisions and avoid obstacles and legal uncertainty in the award of concessions. In particular the proposed definition of concessions needs further clarification.



Securing access to raw materials

The competitiveness and sustainability of European industry is highly dependent on fair, secure and uninterrupted access to raw materials. EU efforts on export restrictions and protectionism therefore have to be pursued. BUSINESSEUROPE strongly supports the EU Raw Materials Initiative, recognising however that the development and geopolitical aspects of the strategy need to be reinforced.

The complementarities between trade and development policies need to be further invigorated and an effective EU Resource Diplomacy should be established, that could be used as a leverage for European industries to engage in partnerships in resource-holding countries. At the same time, it should be ensured that transparency requirements do not lead to competitive disadvantages for the European extractive sector.

Furthermore, the supply of raw materials within the EU should be enhanced by promoting research and innovation in all stages of the value-chain by making full use of the EU Innovation Partnership on Raw Materials (EIP) and the Knowledge and Innovation Communities (KIC). In addition, it should be made sure that environmental legislation does not undermine the security of supply of raw materials.

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