

Brussels, 2 August 2013

Orgalime position paper on MEP Bütikofer's report on reindustrialising Europe to promote competitiveness and sustainability

ORGALIME very much welcomes this draft report and the commitment of the Rapporteur to support the Commission's focus on the **industrial policy agenda**. This means nothing less than setting the agenda for overcoming the current crisis by creating a business friendly environment that **attracts investments and creates jobs**, especially for young people. The European engineering industry, which Orgalime represents as a whole, today already directly provides jobs for more than 10 million citizens in the real economy and therefore can contribute significantly to this goal, if Europe becomes more appealing for manufacturing investment. Indeed, Orgalime firmly believes that the recovery of Europe's economy will depend to a considerable extent on the recovery of manufacturing which for every job created in the EU further leads to the creation of at least two jobs in the service sector.

Orgalime welcomes that the draft report on reindustrialising Europe supports the headline **20% of GDP overall industrial output target** and is well aware that significant investment is needed to reach this target, as today's industrial share of the GDP lies at some 15.2% only. Indeed, Orgalime believes that this 20% target should become the core for policymakers. Without this focus, the achievement of the other EU's 20/20/20 targets would be difficult and come as a Pyrrhic victory, costing the EU too much global market share and consequently employment.

The draft report rightly stresses the need for strategic engagement in key enabling technologies. However, **clean production, advanced manufacturing, the investment in smart grids and energy efficiency as well as clean mobility**, which are included in the Commission's communication on industrial policy play an equally important role in the future of the European industry. Moreover these areas can create considerable employment in the short-term. Furthermore, as the competitiveness of European engineering companies is dependent on the value chains, Europe's policymakers should not only concentrate on the upper end of the value chain but must ensure that the EU should remain attractive as a manufacturing location for all parts of the value chain. It is indeed those countries in Europe which have a very complete industrial infrastructure whose economy has proved to be most resilient and are performing best today.

We welcome that the Rapporteur acknowledges the central role that finance will play in the industrial turnaround. Nevertheless, besides the measures proposed in the draft report, it is equally important to take into account the significant contribution of companies and in particular SMEs in the area of innovation and therefore to support innovative SMEs. This should also include practical support along the research, development and innovation chain: for example the early **involvement of SMEs in research**, as achieved in the "**Factories for the Future**" initiative, is beginning to lead to a wide range of now market-ready products. Such schemes, generating significant leverage, should be better funded and access for SMEs should be facilitated.

Orgalime, the European Engineering Industries Association, speaks for 38 trade federations representing some 130,000 companies in the mechanical, electrical, electronic, metalworking & metal articles industries of 23 European countries. The industry employs some 10.3 million people in the EU and in 2012 accounted for some €1,840 billion of annual output. The industry not only represents some 28% of the output of manufactured products but also a third of the manufactured exports of the European Union.

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In the context of the RISE (Renaissance of Industry for a Sustainable Europe) strategy put forward in the draft report, Orgalime believes that the technologies and systems provided by our industry lie at the heart of the transition towards a stronger and greener economy. To facilitate this transition, however, what Europe needs most today is a climate that attracts more investment. For this companies, most of which have long investment cycles, need to have confidence. Therefore, we must create a **predictable legislative framework which allows company to invest with confidence**. This is an area where we believe the EU is failing at present, to a large extent because of continuously changing targets, regulation and administrative provisions. This is particularly evident in the areas of environment legislation. For Orgalime's industry it is essential that the European Union should take into account the investment cycles of companies into innovative and more environmentally conscious products and processes. In particular, regulators must avoid setting new targets and methodologies which disrupt the overarching framework adopted by the European institutions to improve the environmental performance of engineering products - **the Ecodesign Directive (ErP)**. This framework covers all parts of the life cycle of products including raw materials and energy resources, substances and waste. For a wide range of products, it is supported by **the energy label** which is now a familiar benchmark understood and appreciated by the market.

While the Ecodesign Directive regulates the environmental impact of engineering products, what is equally important is ensuring that innovative products developed under this framework do have a market. We have therefore welcomed the European Parliament's support for the recently adopted Energy Efficiency Directive.

Given this, we urge the European Parliament to abstain from demanding the introduction of other new sustainability criteria, environmental or carbon footprint schemes and targets, or internalisation of externalities. In particular, we believe that the **environmental footprint methodology cannot be considered as an appropriate methodology for comparing complex products** such as engineering products, as it describes processes for products which by their very nature have complex global value chains. This makes verification on products themselves and objective comparison between products practically impossible, whether for authorities, manufacturers companies or the consumer. It is for this reason that both engineering and consumer organisations reject this approach. Moreover, given the cost of LCAs used to apply the methodology, the impact on cost and therefore the competitiveness of the European industry is prohibitive, in particular for SMEs.

Finally, our industry is dependent on **raw materials and intermediate products**. Our companies compete for these resources on global markets and must be able to access them in an easy and non-bureaucratic way. Our industry is always striving for greater resource efficiency as our technological lead and competitiveness in many areas depends, among other on ever more efficient materials technologies and consumption. Consequently, additional standards or certification schemes for raw materials or intermediate products or introducing resource efficiency requirements in public procurement would particularly harm our industry and undermine its innovative capacity.

In conclusion, we very much hope that the European Parliament will see fit to take up our comments and will give a clear, much needed and awaited message of support for Europe's manufacturing industry and the many people whose employment depends directly or indirectly on the health of our manufacturing sector. It is more than urgent that this should happen.

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