



Flourish in the global economy? Europe's chemical industry remains a leader amid emerging giants.

Competitiveness

The European Commission is due to report to EU industry ministers by the end of 2010 on the implementation of the recommendations of the High Level Group for the Competitiveness of the European Chemical Industry. Adopted in February 2009, the report provides a blueprint for the future of the industry and dovetails with many of the recommendations in the "EU 2020" strategy paper issued by the Commission in early 2010.

The EU High Level Group recognised that the chemical industry is a major enabling factor in sustainable development, helping ensure Europe can secure energy independence and redress climate change. The group also called for measures to make sure that European chemical manufacturers remain competitive in global markets.

In drawing up the report along with other stakeholders – including policy makers, regulators and non-governmental organisations – the industry reaffirmed its commitment to maintaining a high level of research-and-development spending in the EU, to making further progress on cutting greenhouse-gas emissions and to ensuring compliance with health, safety and environmental rules.

A year later, the results are mixed. While some EU measures such as initiatives aimed at stimulating the European economy in response to the financial crisis will provide a welcome boost to competitiveness, these positive effects are counterbalanced by many other important developments on the EU's current policy agenda.

Lowering trade barriers welcomed

Among the positive developments, Cefic heralds the landmark free-trade agreement with South Korea as well as continuing trade negotiations with major economies such as India and Brazil. Chemicals consumption in emerging economies is expected to grow significantly. Access to open global markets and to raw materials at competitive prices is of fundamental importance.

Nevertheless, Cefic is calling for more decisive EU policy action on a number of fronts:

- Innovation, which is a cornerstone of competitiveness;
- Removing the remaining obstacles to an efficient functioning of the EU single market;
- A successful conclusion of the Doha Round of global trade negotiations, including a chemical tariff liberalisation agreement.

REACH costly, research funding lacking

The EU Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH) is the most recent and the most complex product regulation. It puts huge pressure on industry and public sector resources. It is generating considerable costs for the European industry and hurts its competitiveness. The next few years will show whether it delivers. In spite of the burden, the industry is committed to make it work: we have interest in a system which delivers results on human health – it is something we owe to society if we are to gain its confidence.

It is worrisome that research and development expenditure still seriously lags the EU target of 3% of gross domestic product. At 1.8% of GDP, the spending on R&D in the EU remains well below the level of expenditure in other developed regions of the world such as the U.S.

Europe's relatively low R&D efforts lack critical mass to give birth to sufficient innovative materials and solutions. What's more, conditions on the European market are such that too few innovations are actually brought to market in the form of new materials and solutions. Cefic remains concerned that Europe's ability to innovate and compete is hampered by a general distrust of new technology and an overly "precautionary" approach to what is new.