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Dow Response to the Commission Consultation on the Future EU2020 Strategy

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Dow¹ (www.dow.com) welcomes the opportunity to participate in the European Commission Consultation on the future EU2020 strategy. Dow is a diversified global chemical company active in all regions of the world with a commitment to conduct its business activities in accordance with the precepts of sustainable development. Dow is present in Europe since 1952 and about half of Dow's strategic customers are headquartered in Europe. Ninety percent of Dow products sold in Europe are also being made in Europe, therefore the European Union is a strategic market for the company.

The chemical industry manufactures the basic building blocks that enable virtually any other sector of society. The role of the chemical industry as a solutions provider has been highlighted in the submissions of other industry associations to which Dow belongs. This submission provides additional input from the perspective of a multinational corporation operating globally.

Key Thematic Drivers

Dow agrees with the EU Commissions EU2020 strategy objectives, its recognition of the challenges, the need for a transformational agenda and system innovation and the need for collective action on the proposed three thematic drivers:

- 1) Creating value by basing growth on knowledge**
- 2) Empowering people in inclusive societies**
- 3) Creating a competitive, connected and greener economy**

¹Dow is a diversified chemical company that combines the power of science and technology with the "Human Element" to constantly improve what is essential to human progress. The Company delivers a broad range of products and services to customers in approximately 160 countries, connecting chemistry and innovation with the principles of sustainability to help provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. In 2008, Dow had annual sales of \$57.4 billion and employed approximately 46,000 people worldwide. The Company has 150 manufacturing sites in 35 countries and produces approximately 3,300 products. On April 1, 2009, Dow acquired Rohm and Haas Company, a global specialty materials company with sales of \$10 billion in 2008, 98 manufacturing sites in 30 countries and approximately 15,000 employees worldwide. References to "Dow" or the "Company" mean The Dow Chemical Company and its consolidated subsidiaries unless otherwise expressly noted. More information about Dow can be found at www.dow.com.



We would like to point out that it is hard not to agree with these thematic drivers as they represent key positive values for sustainable human development that are likely shared by other regions of the world. We support collective action to take the bold steps needed to implement these drivers, not by putting greener restrictions on the European marketplace, but by creating the lead markets around the world to progressively minimize the environmental footprint of economic activity, and ultimately delink economic development from environmental degradation. In order to make this happen, a global financial reform is needed and funds and resources should to be redirected towards the implementation of these themes.

The following are specific comments on each of them:

1) **Creating value by basing growth on knowledge**

As a science and technology company, Dow is committed to grow through superior knowledge based solutions. We are creating value by basing growth on knowledge through our 600 core R&D projects at 41 global R&D sites. One third of our products were introduced in the last 5 years. In 2008, Dow holds 2 266 US patents and 9478 foreign patents.

- A well developed EU Research infrastructure, as outlined in the working document (p.5) is indispensable. We support the proposed research partnership and would like to underline that such a partnership should not only take place between the EU and Member states but also with the **private sector**, who is a key stakeholder.
- The EU is a sophisticated market with high demand where the R&D capacity should be maintained and grown. Being on the high end and a prime place where we should innovate, the EU should foster frameworks that provide value chain integration so suppliers can innovate with and through the customers into the direction of sustainability.
- In order to do this, the EU should develop an industrial policy framework that not only retains the manufacturing sector in Europe, but that **fosters the development of a long term advanced manufacturing base in Europe**. Enhancing access to financing for business to stimulating economic activity such as accelerated repayment of VAT taxes or tax credits for R&D would be efficient first steps in this direction.

2) **Empowering people in inclusive societies**

Dow supports the notion that empowered people and inclusive societies are essential to a well functioning society. Dow has a proactive University Relations program and a Diversity and Inclusion program in place with a large number of our new graduate hires being female. In this area, Dow suggests that:

- EU and Member States should proactively promote science and chemistry at school and university level. The European university landscape should be strengthened to promote innovation and entrepreneurship. Dow would be willing to engage in such strengthening activities through partnerships and exchange programs.
- The EU should do more to encourage children, both boys and girls, to follow technical studies and selecting the chemical industry as their industry of choice when seeking employment.
- The EU should enhance its dialogue and interaction with business to providing opportunities to hire more diverse set of candidates (gender, disability, and ethnicity).
- The EU should positively promote the science and esp. the chemical industry (esp. R&D and Manufacturing) to school children at ages where they start to make education choices.
- The EU should keep a strong scientific community in Europe through fast and flexible programs and solid funding. It is important to have a cross fertilization and exchange of flow of scientists in both direction, that is not only preventing the migration of EU scientists out of Europe, but also actively encouraging their return and attracting talent from outside the EU and enabling their integration within the EU system.

It should be noted however that possessing the education, knowledge and skills is not enough. The EU should also stimulate broad awareness about its new vision and direct all EU policy towards the transformational changes outlined in its strategy. Without sufficient awareness beyond the borders of the EU, there may not be sufficient collective willpower to implement the required changes.

Retaining and developing the long term advanced manufacturing base in Europe, as mentioned above, will contribute to job preservation and job creation into the direction of a more sustainable economy.

3. Creating a competitive, connected and greener economy (Change to: Enable a competitive, connected and more sustainable economy)

Dow believes in the fundamental principle that sustainability can be advanced by marshalling the forces of the market economy. We see the EU 2020 Strategy as a directional framework for sustainable innovation and a cross-cutting concept, with complex interactions between producers, consumers, and regulatory agencies, all of which have distinct but complementary roles to play to enable the marketplace achieving the vision of a more sustainable and greener economy.

- Producers need to enhance the efficiency and optimize the use of their resources, internalize eco-efficient practices across their value chains, practice cleaner production and innovate into the direction of sustainability.
- Consumers need to shift their behavioral and consumption patterns thereby rewarding this innovation.

- Governments, in addition to their traditional regulatory role over market place activities, must enable the gradual shift towards a more sustainable and greener economy. We do not see the role of the EU and National governments as ‘creating’ a greener economy, but as ‘enabling’ a more sustainable economy. Green does not always equal more sustainable and the current financial system may not pay for it, therefore a global financial reform is needed into the direction of sustainability.
- Through a combination of voluntary and regulatory initiatives and by supporting research and development into the direction of sustainability, the EU can remove barriers to sustainable innovation, ensuring consumers to have the necessary information to make informed consumption choices, and if appropriate, providing early support of environmentally preferred products through public procurement, economic incentives, and public recognition of innovative solutions.
- Innovation, product design, resource use, manufacturing, distribution, consumer information and marketing, consumption and disposal are all integral components of a well thought business strategy. Each one of these components is susceptible of being influenced by financial considerations, market influences, public policy, and broad social values. With business activity now taking place in a globalized context, taking an integrated approach to the life cycle of production and consumption is a critical dimension of planning and strategic business development. Dow believes that a key contribution of the EU2020 vision could be to develop integrated policies and practices at each phase of the life cycle of production and consumption opposite key economic activities, for each of the stakeholders. Such an outcome would be wholly consistent with, and supportive of the broader aspects of sustainable development addressed in the Johannesburg Program of Implementation (JPOI).
- Having the right ecosystem of voluntary and regulatory initiatives combined with the political will to create the lead markets for more sustainable production and consumption will be a key success factor.
- In this context, it should be noted that not all R&D or innovation leads to products or services that are commercially viable. We also have examples where our more sustainable products have not yet reached their full market potential. For instance, Dow has technical solutions today for improving the sustainability of the paint and coatings industry through conversion to water or other low/no-VOC (volatile organic carbon) technologies. Several of these technologies use raw materials more efficiently and/or are more durable, but the lead markets to enable their growth are not there yet. We therefore suggest that the EU and National Governments place more emphasis on creating the lead markets and economic systems that enable sustainable innovations to become commercially viable.
- We welcome the Commission’s goal to rethink transport policy (p8) and improve transport infrastructures as this will strengthen the competitiveness of Europe’s manufacturing base mentioned above. Accelerated investments in infrastructure are needed for the development of alternatives to road transport and the following infrastructure projects may enhance competitiveness.
 - Improving the infrastructure connections between ports and hinterland
 - Improving the infrastructure connections between chemical clusters
 - Closing of the missing links in the European olefine pipeline network
 - Investment in dedicated rail freight lines

- Investment in intermodal terminal capacity in ports and inland hubs
- Investment in transalpine rail connections
- Investment in missing 'last mile' connections of the rail network with the final delivery point
- Increasing of overhead clearance of inland waterway bridges
- Improving the compatibility of the technology infrastructure between Member State customs authorities

Conclusion

- In order to shape the next generation of public policies, collective action, as stated in the Commissions strategy, is needed. However, this requires the collaboration not only between the EU and Member States but also the input of the private sector, which does not come out clear enough in the document.
- This strategy document spells out a vision for the EU but there appears to be too much fragmentation with other visionary policy documents or frameworks by the EU such as the Research Strategy, Sustainable Development Strategy, Innovation Strategy, Global Europe or the framework on sustainable production and consumption. Dow supports the development of one single coherent vision for the EU. More work should be done to merge the various strategies into one coherent vision document to which all stakeholders can subscribe to.
- Dow would like to point out that it is hard not to agree with the three thematic drivers proposed in the working document since these drivers represent key positive values for sustainable human development. As Europe seeks to differentiate itself against other regions of the world, we urge the EU to develop a balanced approach that is consistent with the realistic concerns pointed out by our industry before and that takes into consideration the need for a global level playing field. In order make this happen, not only need the resources and funds be redirected towards the implementation of these themes but collective action towards a global financial reform needs to take place in parallel.
- Business examples of how Dow is innovating in the areas of clean energy, sustainable or green chemistry, and cleaner production are available on our website at <http://www.dow.com/commitments/studies/index.htm>

Dow welcomes additional opportunities to engage in the development of the EU2020 strategy as it is discussed. Submission made on behalf of Dow by mbianchini@dow.com.