

Conference on the competitiveness of the European Chemicals Industry

Dear Chairman, Right Honourable Commissioner(s), Ladies and Gentlemen,

Let me first warmly welcome the double scope of this conference on the competitiveness of the European chemicals industry.

This double scope is the following: innovation and human resources.

You might forgive me to be a bit biased, but this reminds me of our motto, the motto of the Hungarian Presidency: "Strong Europe with a Human Touch".

There is no strong Europe without innovation, and no strong Europe without caring for our human face.

Industry – chemicals industry – innovation and the "human touch" are closely intertwined.

We are here today to explore and also, to find ways to better exploit the hidden capacities of our economies in these areas!

The area of innovation, due to the challenges of globalisation and recovery from the economic downturn, require new responses to the need for industrial restructuring.

The industrial landscape of Europe has to be redesigned with a view to maintaining a competitive, strong and sustainable industrial base.

The EU needs to embrace an overarching approach, in which the whole value chain is taken into consideration, from raw materials to after-sales services.

And the "human" area, because there is a strong need to re-focus our policies also on the human face of European integration, to demonstrate that the EU can effectively improve its citizens' lives by protecting human health and the environment, by creating jobs, and helping people to acquire new skills for these new jobs. In this view, we stress the importance of getting businesses and school education closer and enhancing cooperation between industry and universities thus contributing to the 75 % employment rate target of the EU 2020 strategy.

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Now let me get one step closer to the centre topic of this conference, and let me welcome the Commission staff working document that was published less than a week ago. It is a comprehensive overview of the main activities (on EU, national and regional level) implementing the recommendations of the High Level Working Group set up in 2007. The Group had the task of developing a long term vision and making sector-specific policy recommendations to master the challenges and to secure employment and growth through a dynamic and innovative chemicals industry in Europe

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We are all aware of the difficulties the chemicals sector is facing: the chemicals industry has been one of the manufacturing sectors most affected by the economic crisis, largely due to the severe downturn in its most important customer sectors: the automotive, construction, and machine tools production.

Facing a severe contraction in final demand, and increasing uncertainty triggered by the crisis on global financial markets, downstream industries (primarily car manufacturing, construction and machine building) quickly moved to eliminate stocks of intermediate goods, resulting in some very large reductions in demand and output for these sectors. At one point in the economic crisis, output of chemicals had contracted by some 20%.

Meanwhile that, with the appearance of new major global players such as China, India and the Middle-East, the global competitiveness of European chemicals industry is at stake nowadays.

Although the European chemicals industry remains highly competitive on a global scale, the share of its sales worldwide fell from 29% in 2007 to 24% in 2009.

Globalisation is extremely intense in the chemicals sector: Foreign direct investments and the high level of merger and acquisition activities transform the scope and geographical distribution of the chemicals. The results of the global restructuring are: larger economies of scale and – unfortunately – the exit of smaller players.

Therefore, industry must be placed centre stage if Europe is to remain a global economic leader. This is the core message of the Communication on "An integrated industrial policy for the globalisation era". The Communication, a

flagship initiative of the Europe 2020 strategy, sets out a strategy that aims to boost growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe offering well-paid jobs while becoming less carbon intensive.

Both the Commission communication and Council conclusions underline the objectives of the EU, which are clear: a competitive manufacturing industry and closely related business services are essential

- for growth,
- innovation, job creation,
- and for maintaining external competitiveness.

The future growth must be smart (innovative and knowledge-based), sustainable (resource-efficient) and inclusive (socially cohesive - creating possibilities for the disadvantaged social layers, too).

We consider that un-coordinated national policy responses must give place to co-ordinated European policy responses. A European level response is adequate in many fields of the industrial policy, due to scale of economics reasons, to crisis management requirements, and trade policy aspects.

There is a close linkage between Industrial policy flagship and the design and implementation of the Innovation flagship:

- A better insight into sectoral innovation performance and future potential allow us to identify key challenges, thus better target and design the relevant EU (and national) policy actions in order to facilitate structural change;
- A closer inter-sectoral co-operation is likely to have spill over effects, thus enhancing creativity and innovation in companies and sectors. Also policy actions can help these developments.

The report of the HLG aimed to explain major global trends influencing the development of global chemical industries and identify measures to foster the competitive position of the European industry.

No doubt that the 39 recommendations of the HLG are highly relevant and their implementation enhances the development of the European chemicals industry. Many of the seven groups of recommendations appear among the industrial policy flagship's priority measures.

- i. Innovation and research (linked to Innovation flagship)

- ii. Regulation (impact assessments accompanying new legislative proposals - linked to Smart Regulation)
- iii. Human resources aspect : the promotion of chemical and science education
- iv. Energy and feedstock (linked to the Raw Materials Initiative)
- v. Climate change policy (environmental concerns)
- vi. Logistics (infrastructure development, possibilities for revitalising railway freight transport)
- vii. Globalisation, international competitiveness and trade.

Although the level of implementation of the recommendations of the HLG in the various Member States or regions is quite uneven, the recommendations are still valid as a roadmap for the competitiveness of the European chemicals industry.

Their further implementation will take place in the new context of the Commission's Europe 2020 Strategy and its flagship initiatives, such as "Innovation Union", "Resource efficient Europe", "An industrial policy for the globalisation era" and "An agenda for new skills and jobs".

Now let me draw some conclusions:

- The general recommendations of the Industrial policy flagship and those of the HLG complement each other smoothly;
- The general guidelines are elaborated and adapted to the needs of the chemicals industry;
- the role of the Member states and the EU is to provide the analysis of long term trends, together with industry stakeholders and NGOs representing other interests, like consumers, environmental interests, etc.; and also to provide legal and financial framework for efficient functioning of commodities, capital and labour markets; and provide positive externalities through promoting the activities like R&D, vocational training, trade policy (market access and access to raw materials), environmental considerations (sustainability), smart regulation.

As for sustainability, improving the energy and resource efficiency of production processes and meeting the EU's ambitious goals of greenhouse gases reduction constitute significant long term challenges for European industry, including the chemicals.

Markets (in the EU and globally) demand low-carbon and resource-efficient products and services. The EU chemicals industry have already adjusted their output to meet these demands. The sector supply products with improved energy-efficiency and reduced carbon emissions and have high potential for greater innovation for competing in future markets.

Chemical is a sector with high energy intensity. It made substantial progress in reducing its carbon emissions. The key issue – as with the achievement of other environmental goals - is to ensure that EU industry makes this transition smoothly and proportionately and efficiently.

Ladies and Gentlemen,

Today Europe is facing severe challenges that require tremendous efforts from all of us. We can have no humbler ambition than to make Europe stronger, as the motto of the Hungarian Presidency runs.

Let me underline the commitment of the Hungarian Presidency to continue in that spirit and to work in close cooperation with you, Commission and Stakeholders.

Thank you very much for your kind attention!