

Electra Report Annex 4:

*OPENING THE INTERNAL AND EXPORT MARKETS
OF THE EUROPEAN ELECTRICAL ENGINEERING
INDUSTRY: CHALLENGES IN THE AREA OF
REGULATION, TRADE BARRIERS AND STANDARDS*

1. Introduction

Trade is of course for any industry the crucial vector for growth. Both in the internal European market and on its export markets, the electrical and electronics engineering industry is not yet today exploiting its full market potential:

- The current state of the EU's Internal Market doesn't allow for the full exploitation of the advantage that the economies of scale provided by the size of European Union's internal market should provide. Given the importance of intra trade which accounts for a 61 % share of the trade in the industry's products, any measures which will enhance the potential for trade in the EU will present the industry with new growth potential.
- Foreign trade is today the main contributor to output growth: we see that changes have been accelerated during the last decade by the fact that countries that 15 years ago subscribed to a free market economy are attracting vast investments because of their potential for development: Eastern Europe, China, Russia and in addition India. These are areas with high value added potential which therefore are leading to growth.

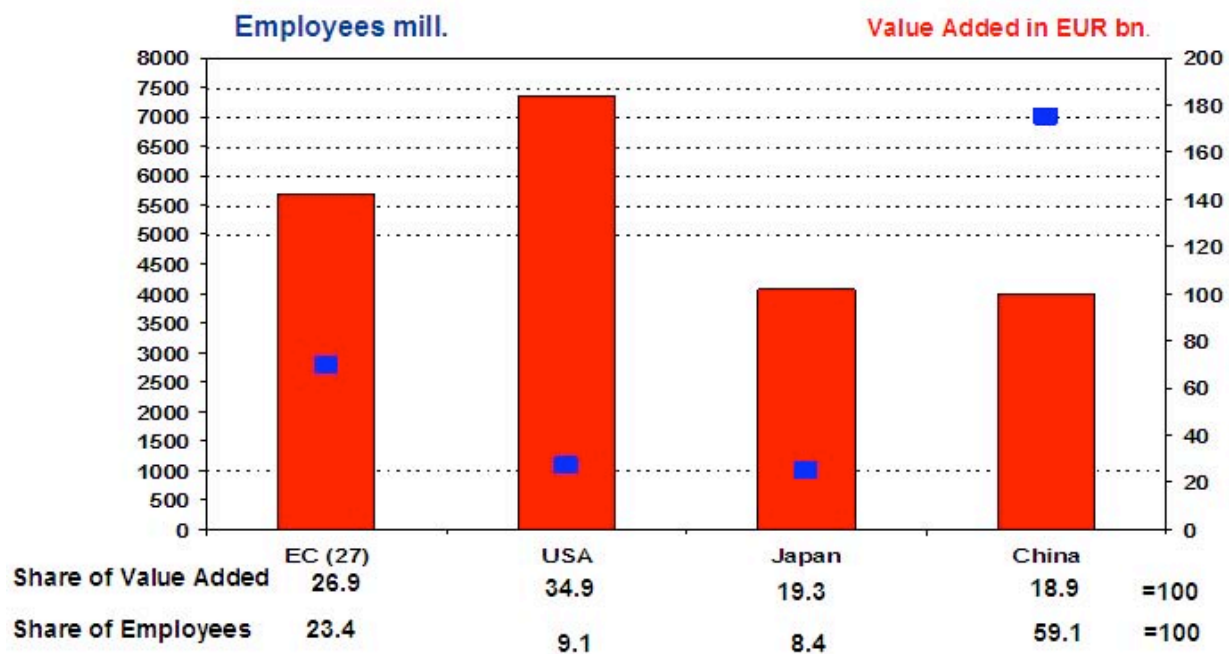
1.1 Challenges in the internal market

One of the most significant challenges that the EU's electrical and electronics industry has to face is that of productivity. The necessity to really act fast is clear today: we are seeing in general that manufacturing industry is restructuring in Europe, adapting to fast growth in Asia and Eastern Europe and to slower growth in our home countries with the consequent impact of employment shifting to growth areas, in particular China.

In the short term, the EU's electrical engineering industry in particular is succeeding, because of the driver of world growth (world export growth in the manufacturing and traded services -22 % of EU value added- has in recent years been around 10 % annually) in stabilising employment levels, but this can only continue if a number of measures are taken to prepare the future.

Within the EU 27 Electra industry Germany, France, Italy, and the UK constitute the "big four" with Germany ahead. Germany accounts for 26 % of Electra's employees and 33 % of production. Sixteen smaller member states account together for 16 % of employees and 14 % of production. Spain, Sweden, Poland, and others are somewhere in the middle. Notably the new member countries account for a higher share of employees than of output and apparent consumption. Characteristic for Electra is a comparatively high level of employment in relation to production. While some of this may be down to the product mix in the competing world regions, the table hereunder shows the "productivity challenge" the sector is facing.

Electra – Value Added and Employees
EC (27), U.S.A., Japan, China 2006



1.2 Challenges on external markets

Worldwide, Electra's scope covers € 1525 billion of production value. Nearly 90 % of production originates from four regions: EU, U.S.A., Japan and China. China's share of world production is the largest (30 %), followed by the EU (21 %), the U.S.A. (19 %), and Japan (18 %).

In China and Japan, Electra is the most important industrial branch, in the EU it ranks fourth, just after transport (including air and sea), the chemical industry and mechanical engineering. In the U.S.A. it ranks 3rd, but has the highest value added of all industrial branches.

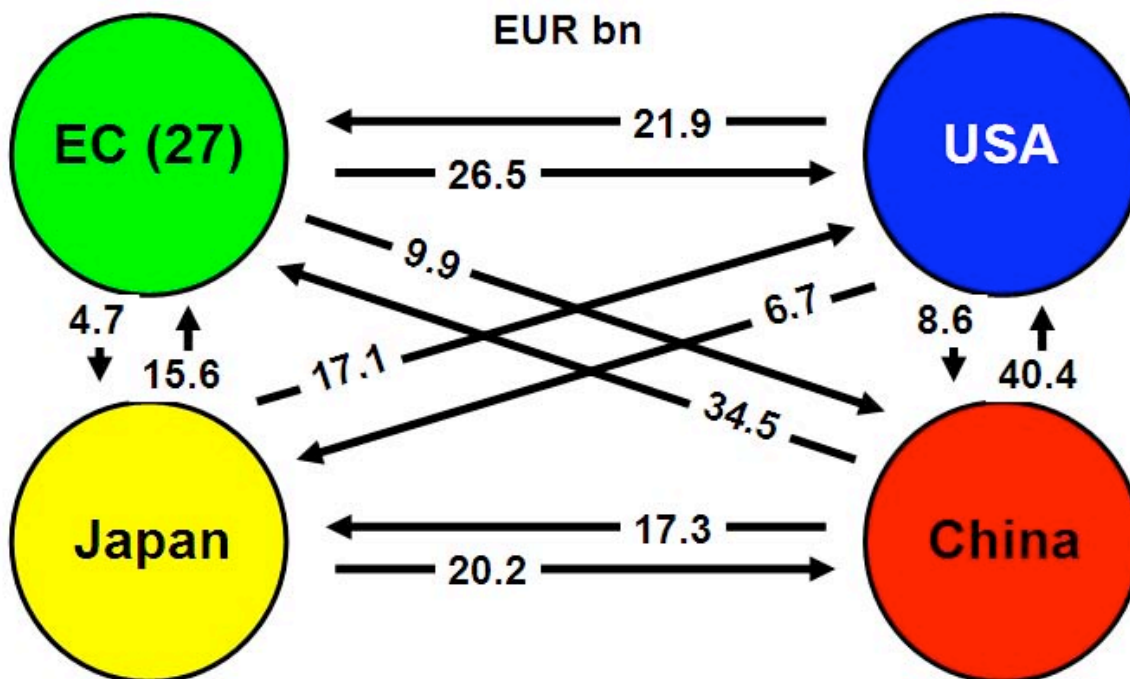
In the U.S.A. and the EU consumption is higher than production. In Japan and China the opposite is true. The EU as a whole is therefore a net importer in this industry branch.

If one looks at the regional structure within the EU only, both figures about the EU's trade with the rest of the world (extra trade), as well as among the member countries (intra trade) have to be considered, as there are considerable differences within the internal market, with some member states being net suppliers, while others are net consumers.

If one compares the Electra industry among the four main producing regions, there are remarkable differences. At the level of apparent consumption: China is the biggest market, Japan the smallest, the EU and the U.S.A. follow close behind; in the EU and U.S.A. production is less than apparent consumption; in Japan and China the opposite is true, i.e. these countries are net suppliers to the rest of the world. In the U.S.A. value added is 63 % of production. This is much higher than in the EU (44.5 %), Japan (36 %) and China (22 %). As a result of differences in productivity, the ratio of production per employee to value added per employee varies significantly between U.S.A. (1.5) and China

(5). While China is already the largest producer in the industry, it still has an enormous potential to increase productivity and will thus, in the future, become an even more serious challenge to the EU.

Electra – Foreign Trade flows 2006



2 Framework conditions in the internal market

The first part of this report focuses on individual and often sector specific measures; there also however a number of measures which have a significant potential to improve the framework conditions for companies investing in the EU and thus bring about a potential for higher investment and higher output.

Indeed European electrical engineering companies are under extreme competitive pressure. Their competitiveness and their success on world markets stand and fall with successful innovation. In order to meet global competition over the long term, they must constantly establish their technological leadership anew. In order to successfully maintain this technological leadership, electrical engineering companies need framework conditions that stimulate innovation and entrepreneurship.

Although the EU is often criticised for its lack of investment in R&D, in this industry a more significant issue is at stake: too often the invention is European, but the practical result is developed and launched outside the EU. The transposition from the result into an innovative product needs to be facilitated. The focus therefore of the measures proposed is essentially on innovation rather than R&D. A number of the more significant conditions are highlighted hereafter.

2.1 Increasing the innovation potential of the industry

In order to generate more growth by innovation, the early adoption of innovative technologies needs to be facilitated. Fostering this potential and facilitating the possibility for the adoption, in the EU first, of innovative technologies is essential to ensure the long term growth of the industry, since the whole value chain of the industry is to a large extent driven by the demand of and the proximity of customer markets.

This can partly be achieved through adopting a public policy framework which promotes competition, investment and innovation in markets where little competitive pressure and therefore innovation exists today: the demand for innovation by customer sectors is essential to the innovation potential of the electrical and electronic industry and therefore to its own innovation potential and growth. As an example, with the enlargement of the EU, a clear potential has been created by the demand in the new member countries for improved infrastructures. By focusing EU funding on the higher technology infrastructures, innovation in the industry can be driven and therefore potentially new growth. We therefore recommend that in order to promote application of new technologies, TEN projects should be used, as well as regional funds and cluster policy.

There are a number of other measures which are even more important for SMEs: the internal market is not innovation friendly for SMEs which are not able to profit enough from the advantages of scale. While in the EU electrical and electronics engineering industry major companies are able to invest heavily in the innovation process to the same extent as their competitors in other developed markets, for European SMEs, however, which should also be motors of innovation, this is not the case. A number of actions are therefore needed here:

- Reduce red tape for Innovative Companies, so that more resources in SMEs can be allocated to R&D and to developing innovative products (Member states and European Commission).
- Facilitate efforts to increase SMEs access to European programmes (European Commission)
- Increase the share of SMEs in public procurement contracts (see section on public procurement)
- Reduce obstacles to cross border development through the adoption of a European small company statute (European Commission)
- Accelerate the transfer of know-how from research institutes, universities to businesses which is today insufficient. Europe is indeed missing opportunities for development (Joint action).
- In areas where, in spite of supportive public policy, potential market failure deters possible investors (e.g. funding requirements of SMEs, promotion of innovations which are not directly market relevant, promotion of process innovations) it would be essential to provide sufficient incentives in order to create a positive added value (Member states).

2.1.1 Innovation in regional clusters

There are a number of centres of excellence in different industries across Europe. However the promotion of these centres and of programmes to stimulate innovation is often national. In order to maximise the chances of achieving real economic benefits, more collaboration and a critical mass in innovative clusters is necessary. Regional clusters, such as the centre set up in Eindhoven which is open to participants from all countries both boost researchers' mobility and improve the potential for the development of innovative technologies and products.

Regional specialisation is important for industries to grasp the full benefits of the internal market through economies of scale. Regional specialisation requires integrated labour markets and regional infrastructure policies. Both

prerequisites are almost absent at present and inevitably such deficiencies have a cost in terms of internal market which does not work as it should do.

2.1.2 Dealing with risk aversion

In the U.S.A. there is little stigma attached to failure and entrepreneurs are able to try again and again to develop their businesses. However in the EU, in case of failure, costs are often unduly high for the entrepreneur.

2.1.3 Financing R&D / tax incentives

While the industry welcomes the funding provided by the European Commission in the context of its Framework Programme for Research and Technological Development and under the CIP, many companies, particularly SMEs, find it both simpler and more efficient to benefit from assistance at the level of member states, such as direct tax incentives provided at a national level: For example the Netherlands has introduced a subsidy scheme for "Innovation Vouchers" financed by the government and approved by the EU authorities, whereby a SME enterprise can submit a research question to a knowledge institution on presentation of an innovation voucher. Such a system is close to the market, it provides a tangible incentive to those investing in innovation and it helps to improve knowledge transfer between SMEs and knowledge institutions. (Other measures relating to R&D are described in more detail in the EnginEurope report.)

The association for private equity and venture capital (EVCA) concludes in a benchmark survey that the European situation is in particular unfavourable regarding company incentivisation and in particular fiscal incentives in the area of innovation. In view of this we recommend that:

- Public authorities should provide specific innovation collateral for financing high risk cross border research activities (Member States and perhaps the European Investment Bank).
- For small and medium innovative firms that cannot use their own capital as risk capital for developing innovative products, new tax incentives have to be developed.

Marketing R&D efforts and results

- Results of R&D, in particular energy saving technologies, have to find their way to markets more rapidly. Therefore the industry welcomes a closer collaboration between research activities and standardisation so as to bring a faster transfer of research results to the market. (Industry)
- Especially for young companies, treatment of intellectual property is of utmost importance, as it represents almost the entirety of their assets. Therefore the focus should be on:
 - improving patent quality through simplification;
 - timely examination;
 - reducing the cost in applying for a patent;
 - eliminating duplication of patentability examination
- Ideally, establishing a Community patent with the right conditions will be of benefit for the implementation of R&D results and for the innovation process (European institutions).

- Strengthen the transfer of R&D results into applications in EU countries (Industry).
- Foster technology transfer by development of regional clusters (European institutions).
- Initiate an EU cluster benchmarking to find clusters with most growth, most success in job development and enterprise formation. Transfer best practice to less developed clusters across EU (European institutions).
- Stimulate the formation of an EU Institute of Technology (EIT) from the 100 research institutes most successful in technology transfer embedded in the EU benchmark clusters (European institutions).

2.2 Theory and practice of the internal market

If in theory the internal market for goods has been completed since 1992; in practice there are impediments which do not allow free circulation of goods on the scale that the EU offers. Moreover the internal market for services is far from complete.

2.2.1 Liberalisation of (service) markets

A sizeable part of the benefits derived from the Internal Market in other sectors is being lost due to insufficient integration in services sectors. Manufacturing sectors depend heavily on services such as distribution, insurance and other financial services, transport, business services and network industries. Insufficient performance of these sectors deprives citizens from already available benefits that are squandered or captured by the inefficient sectors.

- Business must be supported to develop networks that are capable to deliver to the consumer service products and that facilitate the sale of industrial goods where maintenance or insurance or guarantees throughout Europe. This is crucial. Since the European consumer has become more mobile through the EU, the call for trans-national service networks has become stronger.
- In the field of energy policy affairs the EU-Institutions and the member states are trying hard to push forward the internal market and a liberalisation of the energy markets, but the results are not nearly tangible enough to date to create real competition in this market, thereby stimulating innovation and investment in Electra's customer markets.
- The lack of liberalisation in the service sector is preventing the industrial sector from harvesting the benefits of the internal market for goods. Guarantees and maintenance contracts are just examples that goods are more and more bought and consumed in combination with services.
- Further liberalisation of infrastructure markets is needed (energy, transport, telecom fixed networks). With regard to transport: there should in particular be a view on creating trans-European freight networks on rail (where possible use disused railways).

2.2.2 Proper application of internal market regulation

Notwithstanding the drive by the EU to create an internal harmonised market, there are innumerable examples of obstacles to the free market of goods. EU Member States allow for 'gold plating': they introduce additional, super-equivalent national rules that undo harmonisation on EU-level.

- The number of infringement procedures for wrong transposition and application of internal market-rules is increasing every year.
 - Correct transposition / application should receive more attention of national governments.
 - More efforts should be put into problem solving: the SOLVIT-centres (for problem solving with regard to internal market rules) are in many member states chronically understaffed (France for instance has had no civil servant on SOLVIT for two years on a row). Member States should therefore allocate sufficient funding for these purposes.
- New barriers to the free circulation of goods in the internal market are being created, for example in the field of environment and workers protection legislation, in so far as such regulation has an impact on products. Recommendation: ensure that all product related regulation should be under Article 95 of the EC Treaty (European Commission).
- Market surveillance needs to be improved: in this context, the electrical industry appreciates the change that the European Commission has achieved in the review of the legal framework of New Approach Directives, which industries believes will function as a boost for the internal market of goods.

However the way in which market surveillance is currently organised in Europe is no longer adequate for an internal market without internal borders and an increasing number of third country imports.

Products circulate freely inside the Community without passing any internal checkpoints, but the powers of national authorities are limited to their own territory. The consequence is that unsafe products slip through the net and are placed on the market. These products often constitute a health and financial risk for the consumer. This situation also creates an unfair competition. Therefore the industry stresses that:

- Member States should agree on a set of essential requirements for efficient Europe-wide market surveillance and commit themselves to apply it with adequate staffing and financial resources in order to match today's trade conditions.
- The European Commission should take the lead in setting up market surveillance programmes with common objectives across Member States, on the model of what happens in the food sector (annual or semi-annual plan on targeted areas for market surveillance).
- The traceability of the product to the person who has placed it on the EU market should be ensured. The responsibility of actors placing the product on the EU-market should be separated of the responsibility of those designing and manufacturing the product (EU and Member States' actions).
- There should be an effective coordination of surveillance at a national level across ministries and regulations affecting the same products.

2.3 Enhancing investment capacity

Many of the measures proposed for increasing the use of energy efficient equipment and appliances require significant capital outlay, even if the energy savings generated provide a rapid payback. For companies the choice often boils down to investing in further productive capacity or investing in energy efficiency

At the present time when many companies are effectively short of productive capacity, the tendency will inevitably focus on expanding this capacity, rather than investing in potential savings.

Conclusion: there therefore need to be “stimulus” measures which are facilitated by public authorities, either directly or indirectly (Commission and member states).

2.3.1 Public investment

If large investments are needed in the EU, in particular in many of the new member states to bring their infrastructures into line with those in the more developed EU countries, notwithstanding the assistance provided by structural funds, more growth could be generated by:

- Stimulating public-private-partnerships in large infrastructure projects such as trans European high speed rail links and
- By developing public service contracts, for example in areas such as street lighting. The way this is managed at a local level should be altered.

2.3.2 Public procurement

The principles of public procurement (e.g. transparency), as embedded in the Treaty, are not today as fully applied as they should be. This leads to market access obstacles for private suppliers, especially to SMEs. We therefore recommend:

- Energy efficiency should automatically be taken into account in public procurement and the use of voluntary and incentivised lead standards (developed for example in the context of the EuP directive) integrated.
- Simplification of public procurement practices for small companies is necessary. In this context the preferential treatment of SMEs through the enactment of a European Small Business Act along the lines of that existing in the U.S.A. which guarantees a percentage of public procurement award being granted to SMEs would be welcome

2.3.3 Capital markets and financial system

Europe is, with the exception of the UK and Switzerland particularly underdeveloped at the level of its capital markets. Europe's capital markets are also too rigid. This inevitably limits the access of innovative companies to venture capital and private equity as well as private investments into infrastructure and buildings. If one compares the situation in the U.S.A. to that in Europe: there are 46,000 pension funds in the U.S.A. with assets of nearly € 5 trillion under management. In the euro zone this capitalisation represents 97 % of the GDP on average, while in the U.S.A. this ratio is 148 %. The UK is an exception, however: it has a high ratio – 160 % - which is no doubt due to the pension funding system which is based on capitalisation rather than ‘pay as you go’.

In the U.S.A. too pension and social security schemes are based on capitalisation, while in Europe the majority are organised as pay-as-you-go systems. Furthermore the U.S.A. financial system is based on capital markets. By contrast, in Europe the financial system is bank-oriented. While private equity and venture capital are increasingly recognised as key economic drivers, conditions for investment should be improved.

This leads us to make the following recommendations which will require the intervention of both the EU institutions and Member States:

- Shift from pay as you go to more capital cover pension funding systems
- Strengthen of capital markets, especially stock exchanges.
- Allow a significant part of pension funds to go into infrastructure funds, starting with asset backed company pensions, then to private pension plans and finally public pension plans.

However, fragmentation of markets and lack of mutual recognition of existing investment structures hamper true competition: one sees too little tax transparency, too many administrative requirements, for example, the requirement to create a permanent establishment. Therefore at the present time only large investment structures can handle cross border operations.

An indirect brake also arises on the capital markets from the administrative burdens put on young innovative companies.

In conclusion:

- In order to improve the situation of unexploited economies of scale, fund mergers and asset pooling should be facilitated throughout the EU.
- In the short term, given the complexities of achieving harmonisation because of the resistance of national governments, mutual recognition would provide a useful first step.¹

The EU must not only focus on integrating retail financial services but also on integrating wholesale banking and financial instruments that in particular SME need for expanding cross border activities. The above measures will need to be driven by the European Commission

2.3.4 Tax issues

Efforts should be continued to reduce compliance cost resulting from the tax fragmentation of the internal market, in particular for SMEs as well as to allow companies to choose an EU-wide tax base.

The “sacred cow” of simplifying the overly complex taxation systems, which render the life of entrepreneurs working across the EU unnecessarily difficult, needs to be tackled, at least with a view to achieving a harmonised tax base for corporate taxes. Attempt to arrive at a full harmonisation of corporate taxes would no doubt meet strong resistance from Member States: while the electrical industry would not support this either, it would however be a welcome simplification for companies.

Other measures such as loss offsetting, the fiscal regimes for capital goods and depreciation rules are important in the context of the energy efficiency drive.

¹ In 1998 the European Commission launched a Risk Capital Action Plan which proposed ending capital market fragmentation. In 2003 the Council called for implementation.

2.4 Making investment in the EU more attractive by fostering entrepreneurship and developing an improved labour market

2.4.1 Support Entrepreneurship

With the increase in regulation and the administrative requirements deriving from such regulation, skilled personnel in many companies must spend more and more time being bureaucrats, filing endless reports, most of which are probably never read.

To strengthen entrepreneurship and improve operating conditions for entrepreneurs and established businesses, we therefore recommend to:

- Provide fiscal incentives for risk taking in developing and applying new technologies.
- Ease the operating of companies (suppliers and operators of new technologies) to expand across EU borders by acquisitions, forming subsidiaries and shifting staff across borders.
- Simplify the founding of EU companies by a small EU company scheme (the European Private Company Statute).
- Diminish the costs of failure for entrepreneurs on a harmonised basis across the EU. Compared to the U.S.A. there is little incentive to start anew in the EU.

The one stop shop for all the formalities has only been attained in a few member states. It must become general, if we are to catch up with countries, such as the U.S.A., where ten times more start-ups are launched every year.

2.4.2 Labour market and skills shortage

Skills shortage is a major point of concern for the electrical engineering industry: which relies on highly skilled staff to develop its innovations. As a result engineers represent a higher percentage of employment than in other manufacturing sectors and the industry is finding it increasingly difficult to meet its needs for these and other skilled staff. A pro-active policy to ensure the supply of skilled labour is therefore key to our industry's long-term success.

A pro-active policy to ensure the supply of skilled labour is therefore key to the industry's long-term success. With this in mind, we make the following recommendations:

- Aim at achieving that all EU countries should send at least 50 % of students through tertiary education.
- Aim at attracting at least 25 % of tertiary education students into technical-, engineering- and science education.
- Provide for the possibility for equivalence of all technical degrees across the EU; implement science and engineering bachelor and master system across all EU countries, foster scientist and student exchanges across EU countries.
- Attract engineering talent from abroad into the EU, including by starting a call-back programme for EU engineers and scientists now working in the U.S.A. or elsewhere outside EU.
- Encourage engineering apprenticeships.
- Initiate regular EU excellence competitions of EU science and engineering schools based on education results (not research).
- Create transition points between technical education and bachelors (university) education.

The industry also recommends that the European Commission and member states should act in line with the detailed recommendations of the EnginEurope report- drawn up by the mechanical engineering industry which also relies heavily and increasingly on highly skilled staff at all levels to maintain its global leadership.

Moreover the industry requests the European Commission and Member States to introduce the “Blue Card” as soon as possible, including migration possibilities for highly skilled workers, such as workshop foremen and CNC operators.

2.4.3 'Reskilling' for the future

As technology evolves and EU companies tend to move their simpler technology operations offshore to areas where production costs are lower, so companies need to restructure their operations. This is of course a painful situation for the workforce of plants which are shutting down to transfer production overseas.

Nevertheless the electrical and electronic engineering's industry's output has grown over the long term at an average rate of 4 % per year and, in the last two years, at a much higher rate (6.5 % to 7 %). This means that companies are both becoming more productive, but are also investing more in new technologies and facilities.

To manage such new facilities and the development of new technologies, new skills are often required by personnel and these must be acquired and kept up to date through lifelong learning. Both companies and their personnel therefore need to spend more time and resources on “reskilling” and we feel that the attitude towards restructuring of companies should change: the focus should be more on providing incentives for re-training people and investing in new technologies in the EU, rather than in penalising companies for transferring uncompetitive production abroad.

3 Challenges faced by the electrical engineering industry at the regulatory level in the internal market

3.1 Regulatory issues in the area of eco design legislation

The main issues that are facing the electrical and electronic engineering industry in the present regulatory environment are:

- The application of articles of the Treaty other than Article 95 to product regulation
- A harmonised application in member states of environmental legislation affecting products
- Multiple and potentially conflicting eco design requirements in different legislation

3.1.1 EuP

- This directive establishes a harmonised framework for harmonised eco design requirements for energy using products from a life cycle perspective. With this directive (under Article 95 of the EC Treaty), often quoted by the European Commission as a model of Better Regulation, the EU institutions have at last established a coherent framework for regulating the environmental impact of our products.

- The electrical industry is today also actively contributing to implementing the EU's ambitious energy and climate change objectives, especially through making available innovative products and through a number of industry driven agreements for the implementation of directive 2005/32/EC on Eco Design of Energy Using Products (EuP)
- The industry clearly supports of the main features of the directive, but what is now essential, is to achieve regulatory stability of the established framework in the area so that companies can work in a legally certain environment: therefore any product legislation affecting other sectors of industry should not be incorporated into this directive in order to ensure its stability.
- Complement the Eco Design requirements of Energy using Products (EuP) Directive with new EU-wide measures tackling the efficiency of installations or systems, so as to also foster systems related approaches (SrA).
- Conclusion: the EuP directive should not be revised at the present time (European Commission)

3.1.2 Draft waste framework directive

The electrical and electronic industry is extremely concerned that the European institutions are again undermining the coherence of product related environmental legislation and the functioning of the internal market by proposing eco design measures for engineering products under ongoing EU initiatives, including the draft waste directive. In spite of the coherent framework established by the EuP directive, the proposed waste directive will allow member states to introduce different product design measures in a directive under Article 175 of the EC Treaty. This is quite regrettable. It clearly runs counter to the stated objectives of the European Commission on Better Regulation, undermines the internal market and therefore hampers the competitiveness of the electrical industry. It will do little for the environment, since overlapping or conflicting requirements on the same products only lead to legal uncertainty, free-riding and unenforceable legislation.

3.1.3 WEEE

We encourage the European Commission, in the upcoming review of directive 2002/96/EC on Waste Electrical and Electronic Equipment (WEEE), to consolidate the institutions' product design policy for our sector by deleting the unnecessary overlapping requirement for "design for recycling" from WEEE, since this is also covered by the EuP directive. Proposals for improvement:

- Focus eco design provisions for energy using products under the EuP directive
- Keep this regulation stable to allow the implementing measures under the directive or industry self commitments to be developed in a context of legal certainty

3.2 Particular issues arising from the application of environmental regulation in member states

3.2.1 WEEE

Some member states (6) are demanding specific WEEE marking. Others have set higher collection requirements for WEEE (7kg instead of 4kg/capita in Flanders). New member states have other derogations. To further complicate the system the data streams need to follow product streams, which requires a degree of compatibility between national registers, which does not exist today.

Proposals for improvement:

We recommend not seeing the current WEEE-review as a vehicle to correct failures or shortfalls in national transposition laws. Where national transpositions however have evidenced shortcomings of the WEEE directive itself, due consideration should be given to fine-tuning the directive in such areas at EU level.

We encourage the European Commission to:

- Focus on ensuring a harmonised application as far as possible throughout the EU
- Clarify and circumscribe the scope of the WEEE Directive as follows:
 - include the definitions of “fixed installation” and “finished products” in the legal body of the WEEE Directive
 - not include further professional goods under WEEE
 - clarify the relationship between the WEEE and RoHS Directives by amending the RoHS Directive with an own scope that incorporates the criteria of “fixed installation” and “finished products” directly into the RoHS Directive.
- Introduce a greater degree of harmonisation for WEEE Registration by:
 - Introducing a mechanism for cooperation and coordination of WEEE registers
 - Harmonising registration requirements and procedures
- Facilitate reporting under the WEEE directive through harmonisation of reporting procedures and requirements (see the Revised Batteries Directive)
- Remove the design aspects (art 4 WEEE) which are obsolete and potentially conflicting in the light of the framework directive on EuP

3.2.2 RoHS

RoHS transpositions are quite divergent in different member states. Some member states, for instance, reject the New Approach understanding in the context of the putting products on the community market. Other countries, Austria, Italy included the «Homogeneous material» definition in national laws (but for Italy, there is a divergence from European Commission F.A.Q. document of 24 May 2005). Germany and Italy included MCVs (maximum concentration values) into transposition laws.

Proposals for improvement:

- The scope of RoHS should be fully harmonised.
- As a matter of better regulation, the European Commission should continue to put pressure on national governments to ensure a harmonised application of the directive

3.3 Intellectual Property Rights issues

3.3.1 IPR – introduction

There are a number of issues affecting companies at the level of IPR in the internal market and internationally. Two issues need to be highlighted: the IPR regime in Europe which needs to be improved and the need for the electrical engineering industry for support to help it to fight all types of IPR infringement in both the internal and external markets

Counterfeiting is a global and rising problem. In the electrical sector, besides affecting the reputation and earnings of companies, it raises significant problems of safety. The electrical engineering industry is affected both by trademark piracy, but also and particularly by patent right infringements.

Proposed solutions at a general level (for both the internal and external markets):

- Improved patent regulation in the EU: establish a balanced and affordable patent system in Europe.
- Improved enforcement of protection of IPR through:
 - Making the respect of IPR central to trade discussions whether in countries not respecting IPR or in countries importing products which infringe IPR, including a strategy of no-compromise on IPR in trade negotiations.
 - More vigorous presence and intensified political dialogue in priority countries, especially China
 - Establishing a close alliance with the U.S.A. and Japan, also on local levels
 - Improved IPR enforcement at trade shows and exhibitions
 - Targeted market surveillance activities at the borders of the EU and in the internal market
 - Broadening the system of the IPR-helpdesk
 - Developing a joint IPR strategy common to the European Commission as a whole

These measures essentially depend on the European Commission

3.4 Challenges faced in the area of standardisation in the internal market

The challenges that the European standardisation faces can be summarised in two main elements:

- the fragmentation of the standardisation activities in new areas of standardisation (e.g.. ICT), and
- the need to reinforce a sectoral standardisation approach that will guarantee the future added value of standardisation for all stakeholders.

The current discussions of a possible merger between CEN and CENELEC are also counter-productive.

3.4.1 Fragmentation of the standardisation activities in new areas of standardisation

The success of the short-term solutions to emerging new technologies is directly linked to the lack of knowledge of the main and basic elements and benefits of the European standardisation system.

It is essential that both EC and Member states authorities acknowledge the public nature of European standards, which goes beyond the short-term technical solutions that might be provided by fora and consortia standards.

The European standardisation system, through the National Delegation (National Electrotechnical Committees) ensures certain essential requirements:

- All groups of interest have easier access to the standardisation process through the National Electrotechnical Committees. The nature of the European standardisation system ensures the participation of the SME and other stakeholders (consumers, environmentalists, researchers) in contrast to other fora and consortia standards where their access is very limited.
- The National Electrotechnical Committees can ensure the harmonisation of the technical requirements by implementing identically European standards and withdrawing national conflicting ones.

3.4.2 A sectoral standardisation approach

Standardisation needs to be close to industry. Standardisation can only be a tool for competitiveness when it reflects the needs and the potential of the European industry.

Issues like concentration of the market, experts' ratio, IPR protection, average size of companies, define the way one sector contribute and use voluntary standards.

The principles and rules of the European standardisation system have to remain applicable to all the sectors in order for them to benefit from the system (harmonisation, public nature, international dimension) but it should provide the necessary flexibility to address the different needs of the different sectors.

Possible solutions to these obstacles

- To increase the knowledge of the European Standardisation System and its benefits within EC and Member States authorities to ensure that policy makers take into consideration the public interest and sustainability of the technical solution offered by European standards.
- To encourage consortia for standardisation organization to cooperate and contribute to European standardisation by providing technical solutions of added value.
- To continue efforts to ensure the participation of all stakeholders in the standardisation process, in particular SMEs as a means to spread best practices and therefore as a tool to increase competitiveness.
- To ensure that the European standardisation system, while guaranteeing the same principles and procedures, provides enough sectoral flexibility to address the needs of the global market.

3.5 Trade obstacles existing specifically for the industry in the internal market and for imported components and supplies

Potential trade implications linked with the provisions on registration and notification of substances (as stipulated by REACH) released from final goods as established in Regulation 1907/2006 cannot be excluded. Our companies today work to extremely tight time schedules and are sourcing on global markets. Regulating articles in a way which would impact the “just in time” flow of hundreds of millions of components and parts used in our products risks causing major disruptions in the supply chain, which would entail losses of competitiveness and simply make the EU a less attractive manufacturing and investment location.

As this regulation has only recently entered into force, it is still too early to make any proposals.

4 Challenges faced by the electrical engineering in its export markets

4.1 Identification of the main regulatory obstacles facing the industry in its main export markets

The present section highlights issues faced by the industry in its main export markets and trade partners. The proposals recommendations made hereafter are addressed top the European Commission in the framework of its trade negotiations with different countries, in particular in the framework of FTAs.

4.1.1 China

a.) Fostering the convergence of Chinese and EU regulations and standards on hazardous substances (RoHS)

The electrical industry is both a major importer and major exporter. It is in particular a major importer of components which enter into its final products.

With the increasing volume of EC legislation affecting its products, it is essential that the industry's supply chain should be compliant with the requirements of environmental legislation such as RoHS.

As China is starting its own RoHS-type legislation (called ACPIC) it is necessary to ensure compatibility of regulations, so as to allow well functioning two way trade (avoid the risk of TBTs).

Proposal: we encourage the European Commission to motivate China to align its ACPIC to the EU's RoHS as far as possible.

b.) China Compulsory Certification (CCC)

Companies in the electrical engineering industry have gone through hundreds of factory inspections (costing a lot of time and money) and have been issued with thousands of CCC certificates. They have often also gone through US (UL) and EC conformity assessment procedures.

Our industry considers mandatory third party certification and on-site checks in facilities in the EU a tedious, expensive und burdensome measure. It furthermore facilitates illicit know-how transfer (industry espionage).

We would urge the European Commission to encourage China to apply a lighter certification regime in particular for low risk products.

Proposals: the European Commission should continue to push the Chinese authorities to improve and streamline the CCC procedures, by for example reducing the involvement of certification bodies to cases where international standards are not applied or where malfunctions of the product could lead to severe risks and – especially - by subcontracting type tests and factory inspections to test houses in Europe in order to reduce costs.

c.) Other non-tariff barriers

Standards:

- Fragmentation of Chinese standardisation system: The main challenge in China is the decentralization of standardisation activities out of the traditional standardisation system.
- Development of Chinese Industry Standards: there is an increase of Chinese Industry Standards developed by other standardisation agencies in China having less incentive to participate in the international standardisation (controlled by SAC, the Standardisation Administration of China) and there is no strategy in terms of adoption of IEC standards.
- While the participation of Chinese experts in longstanding IEC TCs is increasing and the adoption rate of IEC standards is relatively high, in new areas of standardisation or standardisation activities that do not fall under the responsibility of SAC, international standardisation work is less prevalent.
- The Chinese national standards GB & GB/T and SFDA industrial standards YY & YY/T are often behind the International ones (3-10 years delay) or deviate in principle from them. For innovative products this is a critical challenge to comply with outdated requirements. Detailed regulations make the import of used products very difficult.
- Only 44 % of Chinese national standards are aligned with international standards. More than 75 % of those aligned are modified (in requirements or technical data), meaning that only ca 10 % of Chinese standards are identical with ISO and IEC standards. Some products have to be totally re-designed to fulfil the very special GB requirement, which costs significant efforts and time.

Standards and the infringement of IPR:

- We fear that China is about to make 3.600 new standards de facto mandatory. Where these standards affect patents, they will have to be given up without compensation. This is clearly a threat to the IPR of European companies and should be rejected.
- There are strong restrictions concerning the accreditation of test laboratories/ certification bodies. Sometimes test laboratories are required to provide extensive documentation which comes close to giving up one's technological know-how.

Licence requirements other than CCC:

- Medical and communication products are subject to two different kinds of testing: Tests for the import and tests for the usage. Those two tests should be acknowledged vice versa or merged into a single one. Additional examination and supervision of imported medical devices (which constituted for e.g. x-ray products a triple testing after SFAD and CCC approval), a requirement that does not exist for local manufactured products and that to our opinion is in contradiction of the WTO rules. (AQSIQ regulation Nr. 95 of June 2007 "Administrative Measure on Examination and Supervision of Imported Medical Devices").
- This third test level for medical equipment is superfluous; European test institutions should be acknowledged to approve the conformity. The List of Toxic Chemicals from January 2006 as well as their lengthy implementation by SEPA means another impediment for foreign suppliers (Chinese enterprises are not subject to this list and its requirements), especially since the registration has to be renewed every second year.
- The ACPIC ("China RoHS") implemented in March 2007 is applicable for electrical medical equipment. It means an additional, third extensive product testing and certification process only allowed for Chinese laboratories and certification bodies.

Local content requirements: localization requirement is only motivated by industrial policy considerations and cannot be justified by economic criteria. Therefore a drastic reduction of the localization quota is desirable. Products of foreign-Chinese joint ventures should be accepted as part of the local quota.

d.) General trade related topics

- Government Procurement: Contrary to its promises, China has not signed the WTO Public Procurement Agreement (GPA) yet. For China still being dominated by government orders, this poses a great barrier on foreign infrastructure suppliers.
- Intellectual Property Rights: China should increase criminal enforcement of IPR violations – including the backstage supporters of such activities. Administrative authorities have to be strengthened and better trained, databases developed to identify repeated offenders, hot spots and the people involved, penalties have to be increased to be deterrent enough, including fines, suspension and cancellation of business licences.
- Patent litigation cases need substantial speeding up and penalties made much stiffer: the compensation for IPR infringement is often derisory and may be far less than the damage.

4.1.2 U.S.A.

Compared to other areas of the world, there are fewer impediments to trade with the U.S.A.. The main challenges arising from trade with the U.S.A. include:

- The very different regulatory systems with the different layers of Federal / State regulation and the system of agencies renders the desirable convergence of the regulatory systems in a number of areas more complex: for example the "export" of the EU's WEEE and RoHS legislation to the U.S.A. has given rise to some thirty different state legislative proposals, thereby rendering trade more complex.

- Fragmentation of U.S.A. standardisation system: The fact that there are more than 800 accredited standards developers in U.S.A. makes it extremely difficult and costly to identify and address the relevant players in the standardisation arena. The coexistence of different standards for the same product elaborated by different SDOs results in an actual non-harmonisation of the U.S.A. internal market.
- Recognition and implementation of international standards: According to the WTO TBT Agreement, the definition of international standards organizations is keyed to membership by a national standards body together with the participation of all stakeholders including environmental and consumer interests.
- Implementation IEC standards: Due to the nature of the European and U.S.A. standardisation systems, U.S.A. stakeholders, through the U.S.A. National Committee of IEC, can contribute to more than 70 % of the European Standards, which are identical to IEC ones, bearing in mind that IEC standards, once implemented as European Standards, are a tool for market access to the whole European internal market. There is no reciprocity for European manufacturers in the use of IEC standards as a tool for access U.S.A. market.
- Implementation at state level: Although the U.S.A. law recognizes the value of government use of voluntary standards, the low level of standards leads to regulatory proposal conflicting with existing standards, mainly at state level. More important, the lack of harmonisation of those regulations and standards with international standards, causes trade problems,.
- The non use of SI units: although the electrical engineering industry welcomes the European Commission's acceptance of dual labelling provisions, the adoption of the SI system would present great benefits.

U.S.A. legislation on Occupational Health and Safety Although not a formal market entry requirement, workplace safety legislation which is the responsibility of the Occupational Safety & Health Administration (OSHA) requires certain electrical equipment to undergo approval by a Nationally Recognised Test Laboratory (NRTL) prior to use in the workplace

Conformity Assessment is linked to inspection of the production location. The basic safety requirement is for the product to be "listed" by an NRTL. To have a product "listed" it must be evaluated and tested to the applicable safety standard by an NRTL. If the product is found to be compliant, the NRTL will list the product if the manufacturer agrees to allow the NRTL to inspect the manufacturing location(s) from two to four times per year for as long as the product is in production. If an inspection cannot happen or if during the inspection it is discovered that an unauthorized change has been made to the product, the NRTL is allowed to cancel the listing, thereby making the product illegal to use in the workplace in the U.S.A..

On Radio Equipment & Telecommunications Terminal Equipment (R&TTE), third party assessment by a designated body remains mandatory, frequently specified directly in legislation rather than by reference to international standards. All R&TTE is subject to individual administrative registration in the U.S.A..

In its Transatlantic Economic Council, discussions, the EU would therefore do well to ensure a greater degree of regulatory convergence.

4.1.3 Japan

Japan-China-Korea cooperation: Although Japan is a supporter of IEC standardisation in most of the fields and contributes actively to it, the relevance that the Chinese market has (will have) in Japanese economy, resulted in the establishment of a WG on Standardisation under the governmental cooperation between China, Korea and Japan. This cooperation might be focus on new areas of standardisation, which may deviate from IEC standardisation.

Informal trade barriers in Japan are high (unwillingness of Japanese to buy foreign goods). This should be pointed out as a point of concern to the industry in bilateral discussions with the Japanese authorities.

4.1.4 South Korea

The trading relations in the electrical engineering sectors is characterised by a huge trade imbalance: Europe's trade deficit with Korea amounted in 2006 to 2,7 billion Euros for electrical machinery and to 9,7 for Telecommunication, sound-recording and reproducing equipment. Thus when looking at the trade flows with Korea, of all sub-sectors of the EU industry, electrical engineering is the one which suffers the highest deficit.

European electrical engineering companies face restricted access to the Korean market and experience technical barriers to trade. Some EU electrical engineering sectors filed Anti-dumping complaints (e.g. white goods) or anti-subsidy complaints (e.g. semiconductors) against Korean producers. With regard to technical barriers to trade, the situation worsened in the last few years, since Korea has replaced its former government-supervised type approval system by a new certification system (which is run by private organizations) and has introduced a number of new laws affecting goods produced by electrical engineering companies (for example the Electric Appliance Safety Control Act was amended in 1999 and entered into force in 2000, which resulted in enhanced safety control regarding the manufacture and use of electrical appliances).

Possible solutions to these challenges

- During the EU-Korea Free Trade agreement negotiations on tariff reductions/eliminations, full reciprocity and a reasonable phase-out period should be agreed: both partners should reduce or eliminate the tariffs symmetrically at the same time.
- It should be avoided to grant to Korea new privileges or derogation from the current EU trade defence policy vis-à-vis third countries; any texts on trade defence instruments in a future agreement with Korea should be fully in line with other agreements concluded with other trade partners.
- On the Korean conformity assessment procedure, industry is complaining on the lack of transparency and information. International standards should be recognised.
- No double testing should take place; internationally recognised test reports should also be valid in Korea.

4.1.5 India

a.) General trade related topics

India is becoming a key market for the electrical and electronic industries

- Import tariffs are very high for many equipment and capital goods products in India –from 30 % to 40 % for a number of categories. We acknowledge that basic customs duties were reduced significantly over the last years. However, the Special Additional Duty (4 %) and other levies were implemented again which led to a rise of the total import duty
- Investment: Application and approval procedures are often neither transparent nor smooth. The setting-up of a business unit requires approvals that vary greatly from state to state. Several Government authorities are involved in this procedure. Reforms are needed to reduce the number of approvals at national as well as state level and to have easier access to government officials to ensure assistance in speeding-up difficult licensing procedures.
- Bureaucratic hurdles are detrimental to the efficient allocation of capital across borders. International companies in India are not able to carry out an internal clearing of accounts receivable and payable.
- Infrastructure/Public Procurement In the international tender process, foreign bidders are at a disadvantage vis-à-vis domestic manufacturers due to the Mega Project Clause. The industry also requests more transparent tendering procedures.
- Complex State Regulations: Although the Central Government is moving ahead with reducing the complexity in regulatory framework, there is no clarity in many Acts like entry tax, Value Added Tax etc. State Governments tend to take their own view which is often dominated by the revenue criteria. More transparency and harmonisation of trade and investment rules across the Indian States would be much welcomed.
- Intellectual Property Rights: With the altered Patents Bill the Government of India has made a decisive step towards becoming a sought-after location for research and development based activities. We would appreciate the fulfilment of all WTO obligations under the TRIPs agreement. To reach this goal, the Patents Bill and its implementation regulation need to be further developed.
- Labour Market: Generally very rigid laws govern the Indian labour market. The Industrial Disputes Act,1947, for example, contains several archaic and retrograde provisions, which affect management's right to manage.

Proposals:

India should be seen as a priority country in negotiations on FTAs : the Indian market has huge growth potential and therefore action should focus on the above mentioned issues, in particular the tariff issue,.

b.) Non-tariff barriers

Indian standards and regulations are often not in line with international standards.

Technical Regulation and Standards (in support of legislation). The Bureau of Indian Standards (BIS) rules are extremely complex, time-consuming and costly and registration with the BIS is valid for a limited time only.

Simplification of the procedures to give more transparency to these rules would be very welcome. Being a founding member of the ISO, as well as an active member of IEC and ITU, the BIS should be in line with the WTO – TBT – recommendations and adhere to and take over as much of these international standards as possible.

Finally one of the main concerns about the Indian standardisation system is its fragmentation, which may lead to a very low level of actual implementation of international standards

Customs procedures and regulations: There are frequent changes to import regulations and a heavy bureaucracy:

- Documents to be prepared are generally extremely elaborate and complex. The expenditure of time for application and obtaining of the required documents and permits for import, processing and export in the case of conversion deals, or job orders is often immense, so that fixed deadlines cannot be adhered to.
- The import of spare parts, second-hand machinery and equipment, the re-export of imported machinery for repair purposes and the subsequent re-import into India after carried out repairs are too complicated and time-consuming.

4.1.6 Russia

a.) Customs duties and procedures

A new customs code, aimed at liberalizing Russia's customs regime as part of the country's bid to enter WTO, entered into force on January 1st 2004. Importers have long cited slow clearance times, excessive red tape and corruption among customs officers as just some of the problems associated with getting shipments into Russia. Unstable tariff levels add to legal uncertainty and arbitrariness.

Proposals for remedy:

- Introduce simplified customs procedures for small players as well
- Improve enforcement of the new customs code and provide training to customs officers, especially in the provinces

b.) VAT refund system

Difficulties for investors to recover the local value-added tax of 18 % for imported goods have been reported by companies. Although legally speaking, input VAT is deductible in Russia, it seems it is much easier to offset a VAT credit with VAT debts than to recover a VAT credit with Russian tax authorities.

Proposals for remedy: the EC is encouraged to urge the Russian tax authorities to facilitate VAT refund for investors

c.) Standards and Certification

Another major obstacle to the electrical industry's exports arises from the Russian system of standards and certification, which however is showing signs of changing in a positive direction. The main areas of concern are:

- Safety certificates must be attached to imported consumer goods and food at the time of customs clearance. The certificate is issued by the territorial agencies of the State Standards Committee (Gosstandart). On non-food products, information must be placed on a label (or on an insert) that is included with each unit of the goods and that provides the name of the product, the manufacturer and the country of origin. It must also

contain the main characteristics, rules and conditions for effective and safe use of the product. Russia does not recognise international safety or quality certificates. Instead, all products requiring certificates must be tested by a testing centre accredited by Gosstandart (this generally means a Russian testing centre, though a few international institutes have the required accreditation). For many products, certificates will not be issued until additional tests have been conducted to satisfy other bodies, such as the fire-safety inspectorate and health inspectorate.

- Federal Law 184.FZ, on Technical Regulation (December 27th 2002), a new law on standards and certification, reduces the range of products requiring certificates and introduces Declarations of Conformity for the first time. But it also envisages a long transition period for converting to the new system. The new legislative framework may lead to higher use of voluntary standards: In the last years Russian standardisation systems has undergone major reforms that have ended up with the issuing of the new Standardisation Law. Discussions with the Federal Agency on Technical Regulating and Metrology (Russia), suggest that the implementation of the new law could be a try to mirror the European New Approach, which would make the technical harmonisation of standards and the cooperation at standardisation level even more relevant.

Regional dimension: The impact of Russia as regards the overall central Asia region is still extremely important. The direction decided by Russia is a guide for the rest of the CIS countries. Due to the availability of resources and political relevance, Russia, together with Belarus and Ukraine to a lower extent, are the ones providing technical standards to the rest of the countries, who are in certain aspects users of standards instead of contributors to the standardisation process. Influencing the adoption of certain technology in Russia is influencing the adoption of that technology in the whole region.

In this same respect, it is relevant to remember that the CIS region is working in the establishment of a single market on the basis of the UNECE International Model (a New Approach based system).

Proposals for improvement:

- Regular exchange of information on important technical regulations (e.g. on the safety of electrical machines and equipment) planned by Russian authorities
- European Commission and European industry should introduce the new "New Approach" for EU-technical harmonisation and its advantages for legislators and the industry to the Russian authorities.
- The Russian Federal Law 184.FZ, on Technical Regulation in principle introduces the institution of a conformity declaration by the producer, which in practice does not seem to be applied. Follow up at EU-Russia meetings are necessary.
- The European Commission is encouraged to urge the Russian government to ensure actual implementation new rule concerning certification.
- Facilitate delivery of know how on EU norms and technical harmonisation especially on certification
- Facilitate a twinning arrangement with e.g. ROSTECHREGULIROVANIE or other relevant Russian bodies.

4.1.7 Mercosur

The electrical engineering industry would welcome the promotion by the EU of a New Approach like model in the region as a means of promoting the European system and its relationship with IEC and the use of voluntary standards in support of legislation. The main areas of concern to our industry are listed hereafter

a.) Import tariffs and taxes

- Tariffs: Tariffs for many product categories remain much higher than those applied by the EU. Additionally, all Mercosur countries still have exception lists to their “external common tariff” in which higher tariffs are applied.
- Other expenses related to imports: In many cases “special taxes and fees” are collected on imports leading to the considerable inflation of prices. Some of them have been identified as infringing GATT rules and are being addressed under WTO Dispute Settlement Mechanisms.
- Tax base: The tax base on which tariff and other import taxes are calculated is frequently too high. Minimum import prices are fixed arbitrarily above the real price of many imported goods.

b.) Non-tariff barriers

- Import and export regimes, licences, quotas etc.: The import or export regimes of the Mercosur member countries differ widely, hampering the development of trade between the latter and the EU.
- Import licenses are no longer the main non-tariff barrier. However, to obtain an import license (which is needed for many products) frequently involves various administration agencies and compulsory registration of importers. Such complex procedures cause unnecessary delays and discourage many EU companies from exporting to Mercosur.
- Pre-shipment inspections carried out at departure ports by some Mercosur countries increase and slow down bureaucratic practices, because procedures at arrival ports have not been simplified nor reduced.

Proposals:

We strongly support the development of new EU technical cooperation programs in the field of trade facilitation. We recommend to promote and fund a family of mechanisms (seminars, forums, site, publications, press-relations) to show best practices from around the world.

c.) Standards, technical regulation, conformity assessment, and certification

- In many cases Mercosur countries do not adopt international standards for product certification. Their participation in international sectoral discussion fora, such as the Global Harmonisation Task Force (GHTF) or UN ECE WP 29 is not very active.
- Use of trade defence mechanisms: In some of the Mercosur countries, the use of antidumping measures against some EU exports is perceived by EU companies as protectionist. Time limits are not always respected; disclosure documents are not always handed over, etc.
- Import payments: Some Mercosur countries are regulating import payment and financing conditions to restrict imports. These measures limit the importer's cash flow, forcing the exporter to accept longer payment terms in order to be competitive with local manufacturers.

- Export restrictions: Mercosur countries impose export restrictions on a number of raw materials. These restrictions make the domestic price for raw materials lower than international prices, thus giving Mercosur industry an unfair competitive advantage over EU industries. Sometimes they even are subject to taxation when exported.

Proposals: we recommend a common agenda between AMN – CEN – CENELEC: selection of EU-Mercosur issues of common interest related to standards and conformity assessments procedures; regular information interchange about present and future programs (e.g. European plan to save energy); participation as observers in the standards committees related to issues of common interest.

4.1.8 EU neighbourhood countries

A wider European market: The political initiatives to build an extended Euro-Mediterranean market have to be accompanied by an increase harmonisation of both the standards and the standardisation system on the basis of the European one. In this respect, all the neighbouring countries are eligible to become affiliates in CENELEC as a mean to reinforce the use of European standards in the region.

- Free Trade Agreements with other regions: The main challenge of the European standardisation in the neighbourhood region is the establishment of Free Trade Agreements (FTA) with other competitors (e.g. U.S.A.) which would hamper the efforts to incorporate the countries of the region in the International Standardisation in benefit of other standards that would serve better the conditions of the FTA.

Possible solutions to these challenges:

- To ensure a coherent and single European message as regards the benefits of the European standardisation system and European standards. In this sense there is a strong need to increase the knowledge of the European Standardisation System and its benefits of EC and Member States authorities who are directly or indirectly involved in negotiations with third countries.
- To ensure the visibility of the European Standardisation system by promotional activities. Two different actions could be taken; initiatives to increase the visibility and knowledge of standardisation organizations in third countries and sectoral targeted initiatives to increase the participation and use of standards of industry in third countries.
- To reinforce the cooperation between the European standardisation organization and third countries standards organizations to establish through cooperation agreements channels of technical information exchange and cooperation in initial phases of standardisation.
- To ensure the cooperation and coordination between the European stakeholders in the framework of the EU Regulatory Dialogue initiatives.

4.2 WTO and FTA issues

4.2.1 "Global Europe"- Communication

Our industry fully supports the suggestions outlined in the Global Europe Communication, namely the completion of the Doha Round, a new strategy for China, a tougher approach to market access and IPR protection and a new generation of FTAs.

With regard to WTO negotiations, we stress the importance of achieving an ambitious agreement on tariffs for industrial goods (NAMA).

4.2.2 Bilateral Free Trade and Political Agreements: the right way for complementing the WTO agreement

The electrical industry fully welcomes the bilateral negotiations on Free Trade Agreements (FTAs) and asks for an ambitious deal in terms of product coverage and liberalisation. The main advantage of such bilateral agreement is that topics and policies will be tackled that are currently not covered by the WTO Agreement, for example investment, public procurement, further removal of non-tariff barriers, IPR etc.

India, especially is seen as a priority country by our industry, due to its size, its potential and due to the current high level of tariffs on industrial goods which needs to be cut down.