

4 February 2014

Dear Prime Minister,

The Heads of States and Governments of the European Union will meet on 20-21 March 2014 at the European Council to discuss the EU's industrial strategy. Considering the significance of this strategy for the future economic prosperity of the European Union, the **CEE Initiative** - founded as an informal platform among **industry and employers' federations from Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Slovenia** in 2005 – hereby takes the opportunity to address the Heads of State and Governments to request your full support for the enclosed policy recommendations to strengthen the EU's industrial competitiveness (as prepared by BUSINESSEUROPE, the European Confederation of Industry and Employers, with full involvement of its members). The above mentioned Central and Eastern European economies stand for 7% of total EU GDP with the industry providing about six million jobs (16% of total EU industry related jobs).

Compared to our competitors outside of the European Union and their strong commitment to manufacturing renaissance, the European economy is still in fall. Many manufacturing jobs have vanished, a lot of them going outside of the old Continent. Industry in Europe is still suffering from excessive tax and social levies, costly overregulation in several policy areas, such as environmental compliance, badly designed single market regulation or excessively inward looking policy-decisions, such as on the field of climate change policy and the cost of energy - already the highest among our competitors. To reach its ambitious goal of 20% share on manufacturing industry on EU's GDP by 2020, this trend has to be reversed, it is time for action.

As industry from Central and Eastern Europe we thus take note of the European Commission's recent communication on industrial policy, which reaffirms the Commission's awareness of the importance of manufacturing sectors and the broader industry for wealth and employment creation in Europe. However, in order to transit the current crisis management to smarter, long-term and more coherent governance of EU industrial competitiveness, we would like to provide you with concrete concepts of what an **"Industrial Compact for Europe"** should look like. Such is needed to ensure implementation of the EU's re-industrialisation aspirations.

In order to initiate a new EU industrial competitiveness agenda, the European Council should address the following key areas in its conclusions:

1. Europe urgently needs a coherent and predictable long-term **climate and energy policy in support of a competitive industrial base**. The EU's commitments for tackling climate change need to be in line with global efforts, thus overly ambitious unilateral EU greenhouse gas targets (in the range of -40%) must be avoided.
2. For the sake of horizontal responsibility **the EU's governance structure should be adapted** to ensure all its legislative initiatives are committed to this renewed industrial policy focus. Putting an "Industrial Policy Coordination Group" in place within the college of Commissioners, as well as bundling competences for industrial competitiveness, would be useful means in this regard.
3. The central role of **dynamic frontrunner enterprises**, due to higher multiplier effects along value chains and their carrier function for innovation, research and internationalization, should receive particular attention, independently of the companies' respective size. By

giving the Commission a mandate to identify such EU frontrunners and to elaborate an action plan dedicated to their needs (tailor-made and sector-specific, based on bottom-up assessments which address the technical-economic capabilities and challenges best). Europe must identify mechanisms to promote innovation, creation of partnerships between industry and schools to match skills with market.

4. The Commission should continue its work on **minimizing regulatory costs**. However, the Commission's **impact assessment tools need to be adapted**, as to realistically take into account total regulatory costs for business. Independent competitiveness proofing should become mandatory for all policy and legislative initiatives.

We the signatories, call for a fundamental adjustment of all industry-relevant EU policies as to incite re-industrialisation and for safeguarding Europe's competitiveness. We trust in your support and hope that the enclosed recommendations will contribute to defining the key elements of a comprehensive industrial strategy for Europe and its rapid implementation.

Sincerely,



Christoph Neumayer, Director General
IV - Federation of Austrian Industries



Davor Majetic, Director General
HUP - Croatian Employers' Association



Stanislav Kázecký, Vice-President for Foreign and EU Affairs
SPCR - Confederation of Industry of the Czech Republic



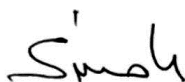
István Wimmer, Secretary General
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ACPR - Alliance of Employers' Confederations in Romania



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**This letter has been sent in to copy to the Heads of Government of Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Slovenia.*