Infineon Technologies Austria AG welcomes the European Commission proposal for HORIZON 2020 as major step towards smart, sustainable and inclusive growth and development in Europe.

The three mutually reinforcing priorities, (a) Excellent science, (b) Industrial leadership including an integrated approach to Key Enabling Technologies and (c) Societal challenges, address future European needs. Though stressed as priority, (b) Industrial leadership as corner stone of European competitiveness has to be substantially enforced to strengthen Europe's development from excellent research to tackling grand challenges with innovative solutions. Thus, increased budget allocation in favor of Industrial leadership is urgently needed to demonstrate commitment to this objective.

Strengthening European manufacturing science as described in the "Key Enabling Technology" HLEG, amongst others, is of outstanding importance for successful growth and social achievements in European.

Simplification is a major step toward lean project implementation. Support for effective simplification as suggested under HORIZON 2020 should be a priority topic by governments.

JTI's have proven to be a cornerstone in migrating high level research into demonstration and innovation for mastering European grand challenges. By learning from existing JTIs they should be continued with improved rules.

Attached Please find the "Position Paper and Call to Action" to "***Better Framework Investment Conditions for Europe as a Manufacturing Location"***

Better Framework Investment Conditions for Europe as a Manufacturing Location

Position Paper and Call to Action

"Industry must play the main role if Europe is to remain a global economic power."[i]

Europe's industry accounts for roughly 17 per cent[ii] of the total value created in the European Union. Over 34 million employees generate sales of EUR 7,273 billion. In Austria, goods production accounts for over EUR 48 billion in gross value creation and makes up 20 per cent of the economy's total added value. The sector is the most innovative in the economy and is distinguished by high productivity gains.

"Industry is at the heart of Europe and indispensable for finding solutions to the challenges of our society, today and in the future. Europe needs industry, and industry needs Europe. We must tap into the full potential of the Single Market, its 500 million consumers and its 20 million entrepreneurs." (Antonio Tajani, October 2010).

However, Europe lags significantly behind other economic areas in investor assessments for business settlement. And the consequences for industrial production in Europe are far-reaching. Europe is seeing less and less investment, not only in low-technology production systems but also in high technology. Europe currently uses 13 per cent but only produces 9 per cent of all semiconductors manufactured in the world – which means that it is already an importer of high technology in this area. If this general trend continues, value-creation alliances will deteriorate further, and important technological know-how will be lost. Due to the rapidly increasing integration of research and development into production processes, R&D and manufacturing can no longer take place at different locations. As a result, Europe will also lose R&D expertise at a massive scale.

Problems have cropped up recently especially in capital-intensive industries with a high level of automation, as investment decisions are made largely on the basis of the investment costs and how they will be financed. In contrast, labour costs represent an increasingly small share of the total system costs. While measures are already being implemented in Asia and the United States of America to secure the manufacturing sites there (such as investment incentives for production systems), the European legal system does not take enough account of global competition and prohibits measures that would benefit Europe as a manufacturing location. Self-imposed disadvantages are also hampering industrial development within the European Union, for example the introduction of European CO2 trading without global coordination (though industry feels that active climate protection with sensible instruments is necessary).

For this reason, Austria's industry is calling for an innovative industrial policy that will ensure the continued existence of Europe as a manufacturing location and that will preserve all of the associated value creation and employment effects in all upstream and downstream sectors. Results from research and development must be translated into European value creation.

To this end, Austrian industry is calling for measures that will lead to improvements in the framework investment conditions in Europe and in Austria, such as

- International competition must be accounted for in European funding law – elimination of the caps on regional funding for certain technologies, especially key enabling technologies that are subject to global competition.[iii]

- The consistent application of the reciprocity principle (for example, market barriers for European manufacturers on markets outside of Europe should apply to non-European manufacturers from these countries when they do business in Europe). Reason: Economic areas outside of Europe are erecting trade barriers. They cannot be eliminated through negotiation.
- For investments with a public-sector component (from public procurement processes to companies that receive public funding), the application of the local content principle (e.g. requirement that 50 per cent of the investments must result from value creation within the EU) should be considered.
- Market distortions must be prevented or eliminated quickly (e.g. massive public funding is provided in Asia for the construction of a plant for the manufacture of photovoltaic cells. Because of this, the effective costs of the cells are substantially below the market prices -> steps need to be taken against this "financial dumping").
- The EIB and EIF must focus on European value creation, also involving national (promotion) banks
- Local value creation chains must be strengthened through:
    - the focused development of know-how (especially for small and medium-sized series),
    - giving preference to resource-sparing manufacture, and
    - strengthening jointly used R&D infrastructures.
- A lead market initiative to stimulate the market penetration of innovative technologies by boosting public demand (the public sector acts as a lead customer in specific sectors to facilitate the development and manufacture of strategically important technologies).
- The promotion of pilot projects with deep market involvement to stimulate the domestic markets and know-how development.
- The further development of the launch aid concept (e.g. Airbus) for capital-intensive investments with long amortisation periods in industries with high levels of automation and capital intensity (such as photovoltaics and semiconductor technologies).
- Investment incentives: degressive or accelerated depreciation.
- The financing system switch from loan financing by banks to capital market financing through (Basel II and Basel III) runs counter to the European entrepreneurial tradition; by selling instruments on the capital market, the entrepreneur becomes an employee instead of the owner of the company.
  The capital market rules need to be adapted, and banks need to return to providing industrial financing as a core activity.

The representatives of Austrian industry urgently request that the national and European decision-makers support the proposals in this paper and that they actively push forward their implementation at the European level.

---

[i] The core message of the communication titled "An Integrated Industrial Policy for the Globalisation Era" that was accepted by the European Commission on 28 October 2010 at the initiative of Vice President Antonio Tajani.

ii Source: Eurostat Goods Production and IWI Estimate 2011 (goods production in the EU-27). The manufacturing sector accounts for 22 per cent of the value created in Europe (or 28 per cent in Austria).

iii European law limits the maximum funding that can be provided to production sites. The manufacture of key technologies is being funded massively on other continents for strategic regions, while Europe is lagging behind.