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CECIMO POSITION PAPER

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European Commission Trade and Investment Barriers Report: Machine tool exports are poised to grow in open and free markets

The European Commission published, on 10th March 2011, the first Trade and Investment Barriers report. CECIMO welcomes the strong focus of the European Commission on market access as a tool to boost growth and create jobs.

In the aftermath of the global economic recession, the world machine tool market is marked by a strong geographical shift towards the Far East. World imports grew by 19% in 2010 compared to 2009. Chinese imports alone accounted for approximately 85% of the increase in global imports in 2010. Asian countries (China, Japan, South Korea, Taiwan and India) have experienced a rise in domestic consumption of machine tools while consumption in Europe has declined.

The European machine tool industry, the world number one in exports, is poised to increase its share by tapping the growth potential in external markets. The rapidly industrializing countries, especially in Asia, have an enormous potential to absorb high value capital goods produced in Europe. However, despite the rise in total world consumption, the slight drop in European exports in 2010 points out difficulties that European machine tool builders are experiencing on entry to third markets.

Against this background, CECIMO remarks on the Commission report are as follows:

- The European machine tool industry, provider of production equipment and technology to virtually all industries, is a **key enabling sector**. Machine tools are the cornerstone of economic development and the driver of industrial competitiveness and progress in the entire manufacturing industry. Europe is the world leader in machine tool exports. Trade policy plays an important role to keep world markets open for highly competitive European machine tools and to ensure fair play on the global scene.
- The prospects for growth in world markets suggest that the EU should **focus on Asian markets**, especially China. The boom in machine tool orders and production indicates a rise in the overall industrial activity (all down-stream industries) including automotive, electrical and electronics, component and other domestic industries to satisfy growing demand.
- The competition in the machine tool markets will increasingly shift to global markets given the unmatched growth of capital goods consumption in developing countries. The European machine tool businesses plead for a **level playing field in export markets**. Government-supported large non-European companies buy market share through price-



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dumping. This harms the competitiveness of especially small and medium-sized machine tool builders in Europe, which are high in number. Any threat on Europe's highly competitive industries needs to be treated as a strategic issue by policy makers.

- The unmatched innovation capacity and technological excellence provide European machine tool builders with a competitive edge in global markets. The enforcement of IPR rights, especially in high risk countries is crucial to protect European innovations. An effective IPR protection is key to guarantee return on investment and to create incentives for companies to expand to international markets.
- With more than three quarters of world machine tool consumption taking place outside Europe (65% in Asia with China only accounting for 45%), there is an increasing **pressure on SMEs** to open up to international markets and expand their business beyond traditional markets. SMEs are deprived from resources to make proper risk assessment and to address challenges in third markets on their own (eg. risks deriving from technology transfer, joint ventures, strategic partnerships etc.). Small entrepreneurs should be provided with better access to tools and knowledge that are required to succeed in third markets.
- The **liberalization of investments**, especially in the field of infrastructure (energy, transport and construction), has a great potential to boost orders in machine tool industry and all other downstream sectors. Increased infrastructure investments by European companies in third countries can benefit to an important share of the European engineering industry which provide equipment and technology to these sectors.
- Finally, CECIMO would like to attract the attention of the European Commission to the ambitious **FTA agendas of third countries**, especially the developed Asian countries which are the main competitors of European mechanical engineering companies including machine tool builders. As bilateral FTAs spread like wild fire in Asia, preferential tariff cutting is likely to increase the costs for European businesses to access some important markets. The EU should strive to push for unilateral tariff cutting in Asian countries via the completion of the Doha Agenda by the end of this year. Moreover, Europe needs to ensure that its bilateral negotiations agenda matches the market access efforts of important competitors in Asia.

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Note for editors: CECIMO is the European Association for of the Machine Tool Industries. We bring together 15 national Associations of Machine Tool Builders, which represent approximately 1500 industrial enterprises in Europe, over 80% of which are SMEs. CECIMO covers more than 97% of total Machine Tool production in Europe and more than one third worldwide. It accounts for almost 150,000 employees and a turnover of nearly €17 Billion in 2010. In 2010 about three quarters of the production in CECIMO countries was shipped abroad, more than half of which was exported outside Europe*.*

*Europe = EU + EFTA + Turkey

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