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Industrial Policy Roundtable
Europe's Reindustrialisation: Learning from our Competitors?
Statement Dr. Peter Biesenbach

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On behalf of Bosch, I would like to thank you, Mr. Bütikofer, for inviting me as a speaker to the discussion on industrial policy here in the European Parliament.

We are glad that Mr. Bütikofer and the Commission with its strategy put the subject of industrial policy on the agenda. This topic was not given sufficient consideration for many years. We are therefore glad to have the opportunity to express our views on this important topic, and hope we can provide you with useful input for your report.

For Bosch, Europe is still the most important market in terms of sales, employees and manufacturing sites:

- In 2012, 57% of our sales revenue was generated in Europe
- Out of 306.000 associates globally, 195.000 work in Europe
- We have 264 manufacturing sites worldwide, thereof 164 in Europe

Against this background, Bosch has an essential interest in a policy framework that can help safeguarding Europe's industrial tissue and competitiveness in the long-term.

We are aware of the fact that the European industry cannot compete with the USA in terms of energy prices or with China in terms of labour costs. However we can differentiate ourselves from our international competitors with a continuous improvement of our technology, driven by innovation.

In 2012 alone, Bosch invested more than 4.8 billion Euros in research and development and applied for nearly 4.800 patents. This equates to an average of 19 patents each working day. Half of our research and development budget focuses on the environment and on products designed to conserve resources.

In this context, we think that a European industrial policy should focus on both innovation and sustainability. Innovative and efficient products and processes



are key success factors for Bosch and for many other European companies. And technology leadership helps protect the environment.

May 16, 2013

Page 2 of 6

We agree with the Commission's goal to increase the role of industry from 16% to 20% of GDP. It is however also obvious, that this very ambitious target cannot be achieved without a change of mindset, without real attention being paid to the needs of industry.

Industry-friendly policy does not mean absence of regulation. Instead, we advocate a European policy of "smart regulation": regulation to achieve the Union's long-term environmental and social goals – but regulation only where necessary, with a sense of proportion, and regulation that supports innovation.

To help bring innovative technologies to the market we don't ask for subsidies; but most of the regulation will be more effective when they are complemented by incentives, be it in the form of tax releases, credits, public procurement measures or investments in R&D.

We think that such a smart regulation approach creates the proper conditions to demand and incentivize technological solutions. This will strengthen the position of the European industry in global markets.

I would like to present you Bosch's perspective on how a European industrial policy should look like by means of two European key sectors in which Bosch has key competences: the automotive business (A) and the energy and building sector (B).

Moreover it is necessary to take international trade issues (C) as well as a strong research and development policy (D) into account to come up with a comprehensive European industrial policy.

A) Automotive sector

The EU is the world's largest producer of motor vehicles. The automotive industry employs 2.2 million persons directly and 12.1 million when including the whole sector. Representing the EU's largest private investor for research and development, the automotive industry is a key driver for innovation. This is true of automotive manufacturers. But it is also particularly true of suppliers, which stand for the majority of innovations, employment and value-added in our sector.

The future of the European automotive industry and the associated jobs depend – with regards to the current economic situation – more than ever on the companies' innovation dynamism.

This also applies for Bosch as the world's largest automotive supplier. With technologies that reduce CO2 and provide driver assistance and vehicle safety, we are at the forefront of innovation in the automotive business.

In our view, one key guiding principle for EU automotive legislation should be technology-neutral smart regulation. Smart regulation sets ambitious but real-



istic goals and combines regulatory standards for efficiency with incentives for the market introduction of innovative technologies.

May 16, 2013

Page 3 of 6

An example in this context is the CO₂-regulation for passenger cars currently discussed in the Parliament. We are confident that the ambitious EU target of 95 grams CO₂ per kilometre in 2020 is technically feasible.

We see great technical potential for reducing CO₂ emissions through highly efficient gasoline and diesel engines. At the same time, the market-introduction of innovative technologies such as alternative powertrains or CO₂ technologies not measurable in the test cycle should be supported. Intelligently designed instruments such as super-credits and eco-innovations can serve that purpose.

The combination of ambitious but realistic targets and rewards for innovative solutions is the best way to maintain the competitiveness of Europe's automotive industry.

B) Energy and building sector

A second important pillar for Bosch is our competence in the energy and building technology sector.

As you have heard recently, we decided to discontinue our activities in the solar energy business. Drastic changing market conditions due to a rapid capacity increase worldwide, particularly in China, coming along with an immense price pressure let us no other choice than to exit the market.

Even though we significantly reduced our manufacturing costs, we couldn't compensate a price fall of up to 40% within one year. Bosch is not the only company affected; nearly the whole industry is in deep red worldwide.

We are still convinced that the photovoltaic technology will play an important role in the energy mix of the future. It was to safeguard the entire company that we took this difficult decision.

The PV-market shifted within a few years from a high-end technology to a mass-production system, especially in its production processes, increasing price pressure on all companies

From an industrial point of view we have to accept the fact that it is becoming more and more difficult to compete with international competitors in the field of commodity products – particularly those that have a different access to financial, material and human resources.

A broad part of the European PV-industry has given in to the temptation that using anti-dumping and anti-subsidy tariffs would solve their difficult situation. We as company did not participate in this initiative, as we are convinced that trade policy instruments will not bring a solution to the current problem of overcapacities in the market. Additionally they bring with them a high risk of starting a trade war with one of our most important trade partners.



What we learn from that is that we need to concentrate even more on our core competences of producing high-quality, cutting-edge technology to differentiate ourselves from worldwide competition.

A European industrial policy should support this by setting stable and reliable framework conditions that provide long-term predictability for investments. What we should not do is to take protectionist measures as these do not help to solve trade disputes in our view.

When it comes to the energy sector, special attention should be paid to energy efficiency.

Energy efficiency improvements in many respects improve the competitiveness of the European economy: they reduce energy costs and energy dependence, stimulate jobs and create domestic value-add instead of spending capital for energy imports from third countries.

That's why we think that energy efficiency should be placed as a central pillar of the EU's future energy and climate policy.

In particular, the buildings sector offers a large and cost-effective savings potential. That is why the energy efficient renovation of the EU buildings stock should be given priority.

In this context, we fully support the Energy Efficiency Directive adopted in 2012. However, it is also important that the Directive will be implemented by the Member States with the necessary ambitions in order to reach the EU's target of 20% primary energy savings by 2020

We ourselves are committed to the process of energy efficiency: We set ourselves the target of reducing our relative CO2 emissions by 20% until 2020 from their 2007 levels.

C) International trade

The third issue I would like to mention is international trade policy. Bosch as well as many other globally active and export-oriented companies in Europe depends heavily on free and fair trade.

We have to be aware of the fact that over the long-term Europe is not the continent where we can expect strongly growing demand simply due to demographic changes. To compensate decreasing domestic demand and safeguard the competitiveness of the European industry, we must therefore improve our access to foreign markets.

As WTO talks on worldwide trade liberalizations are currently making little progress, the focus of European trade policy should lie on bilateral trade agreements with priority markets. In this context we support current or planned negotiations with India, countries from ASEAN or the US.



It is important that trade agreements are comprehensive and balanced, aim at lowering tariffs and ensure a "level playing field": no exclusion of key sectors from agreements (e.g. the automotive sector in India), the elimination of non-tariff barriers (e.g. Japan) and improved market conditions for European companies abroad.

May 16, 2013

Page 5 of 6

Highly important is in our opinion regulatory cooperation and the harmonisation of technical standards and test procedures. This will avoid double testing and reduce costs without weakening our social and environmental standards.

As mentioned before, protectionist tendencies must be resisted. This also means that, wherever this can be avoided, protective duties should not be applied by the EU to solve trade disputes. Instead, constructive bilateral dialogues or international consultations within the WTO should be the preferred means to solve disputes.

D) Research and development

Fourthly, I like to underline the importance of research and development.

We should aim for creating industrial leadership in future technologies. As the example of photovoltaics shows, creating a leading European industry is more sustainable than creating a lead-market in Europe.

Higher private and public investments in R&D are central for a successful European industrial policy. If we compare the public expenditures for R&D as a share of the GDP, we have to notice that countries like South Korea, Japan and the United States spend significantly more than the European Union. The EU's target of a 3% share for R&D expenditures by 2010, set in 2002, could not be reached.

Innovation is not only driven by money, e.g. by R&D spending of the Member states or EU, but also by regulation. Political framework conditions are at least as important in order to push innovative technologies.. Nevertheless, we are disappointed if the EU cut the planned budget means for the research and innovation program Horizon 2020.

We respect the need for budgetary discipline on the Multiannual Financial Framework, but savings in the field of research and development should be the last resort.

E) Conclusion

In summary we are advocating an industrial policy that sets the soil in which innovations can thrive.

The EU should use its instruments on the one hand to demand innovations – for example by setting intelligent efficiency standards. On the other hand, the EU should set incentives for the development and market introduction of new technologies wherever possible, for example through ambitious R&D policy.



Even if regulation is important and can be useful, there is always a risk of overregulation. That is why technology-neutrality is so important. And to limit the burden on industry, regulatory instruments should be deployed with a sense of proportion and in the areas where market forces cannot achieve the Union's social and environmental targets.

May 16, 2013

Page 6 of 6

However, we also have to look beyond our borders and need to find access to foreign markets. Only if we are open to the world and are ready to take on the challenges of globalisation will we have the chance to maintain the industrial tissue in Europe and our competitiveness in the long-term.

Thank you very much for your attention.