



International Markets

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European Commission
Enterprise and Industry Directorate-General
Innovation Policy Development
B-1049 Brussels

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Re: Request for Comments on Priorities for the Transatlantic Innovation Dialogue (December 18, 2009)

Dear Mr Dröll

The following comment is submitted on behalf of the Federation of German Industries (Bundesverband der Deutschen Industrie e.V., BDI) in reference to the *Request for Comments on Priorities for the Transatlantic Innovation Dialogue*. The Innovation Dialogue was created at the meeting of the Transatlantic Economic Council (TEC) in Washington, D.C. on October 27, 2009.

The BDI has been a strong supporter of the TEC since its creation at the 2007 EU-U.S. Summit in Washington, D.C. We approve of the objective to deepen further the transatlantic economic relationship by identifying barriers to trade and working to remove them through greater cooperation on policy priorities, regulations, and standards, and by engaging in concrete activities ("lighthouse projects") that showcase advanced technology, foster the exchange of best practices, and promote greater dialogue between policymakers, regulators and industry on both sides of the Atlantic.

Transatlantic trade and investment are important motors of economic growth, well-paying jobs and prosperity. Liberalized markets can revitalize depressed regions, lower consumer prices and increase societal welfare. Regulations that are divergent, incompatible, unduly burdensome, costly, ineffective or restrictive, can hinder the benefits of trade and investment.

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By spurring novel or modified procedures, products, services, structures and systems, innovation can generate economic growth, productivity and entrepreneurship, thereby creating jobs and adding value to economies. German Industry stands ready to identify areas for potential inclusion in the Dialogue's work program, and to engage robustly with the Dialogue once the agenda and work program have been set.

The Federation of German Industries (BDI) is the leading umbrella organization of German industry and industry-related service providers. The BDI is an association of associations. The BDI speaks for 34 sector associations, 15 regional offices located throughout Germany, and 100,000 companies with a workforce of eight million individuals. The BDI is a founding member of BusinessEurope, headquartered in Brussels. A list of BDI's members is attached as **Annex A** to this letter. The BDI is represented in Washington, D.C. by the Office of the Representative of German Industry + Trade (RGIT).

1. The Significance of Transatlantic Investment and Trade

Transatlantic trade and investment are the bedrock of the global economy. Trade between the EU and the U.S. accounts for some 40 percent of global trade. EU and U.S. joint Gross Domestic Product (GDP) account for circa 45 percent of world GDP. Billions of dollars transact across the Atlantic each day.

German industry is a leading investor in the U.S. ¹More than 3,000 German companies of all sizes are active here. Combined, the U.S. subsidiaries of German companies directly employ more than 660,000 American workers, 12% of the 5.3 million in-sourced jobs in the country, and contribute tens of thousands of additional indirect jobs. Through December 31, 2008, German foreign direct investment (FDI) in the U.S. totalled \$212 billion, nearly 10% of the \$2.3 trillion that foreign-based businesses have invested in the U.S. overall. Based on 2008 data, Germany is the 5th largest export market for the U.S., and the 5th largest exporter of merchandise to the United States.

Transatlantic trade and investment are a priority for the BDI and its members. In 2006, when German Chancellor Angela Merkel identified the transatlantic economic relationship as a priority issue, the BDI assisted the Chancellor in the development of a proposal to strengthen further economic ties between the U.S. and the EU. This led, as noted, to the creation of the TEC at the 2007 EU-U.S. Summit.

The BDI strongly supports efforts to maintain, and to enhance transatlantic trade and investment by reducing regulatory barriers that can impede trade flows, increase costs to companies and consumers, and impair the competitiveness of American and European businesses.

¹ Unless noted otherwise, facts and figures cited in this section come from *RGIT Fact Sheet: German-American Trade, Investment and Jobs*, 2009. <http://www.rgit-usa.com/index.php?id=4>.

2. Introduction

The BDI supports the decision of the TEC to form a dialogue focused on innovation, given the focus in the U.S. and the EU on addressing the challenges of the 21st century through improved economic performance and in creating quality jobs that deliver prosperity, add value to local communities, and address societal challenges. Focusing on innovation offers several conceptual advantages.

First, innovation is fundamentally a forward-looking process. The impetus to innovate is to create new products and processes, or to substantially improve extant conditions. Innovative companies seek to go beyond the boundaries of the status quo, to test the limits of the possible. To meet the challenge posed by the advanced emerging economies, the transatlantic economy must continue to look ahead and move forward. The Dialogue could encourage greater innovative activity by focusing on policies, R&D and technologies that have the potential to deliver value in today's economic climate.

Second, innovation can serve as a platform for showcasing the potential for greater cooperation between the EU and the U.S., in contrast to pointing out instances that may involve impediments to investment and trade, which can inflame sensitivities and disrupt transatlantic relations. While more can be done to dismantle the relatively few barriers to investment and commerce that exist in the transatlantic marketplace, there are other, established channels, including within the TEC, for surfacing those concerns. On balance, transatlantic commerce is marked by liberalized markets and similar if not identical or common regulations and standards, especially as compared to trade with certain other areas of the world. The Dialogue can help to bring greater unity to EU-U.S. trade and investment by focusing on value-creating activities rather than trade disputes or mediation agreements.

To succeed, the Dialogue must deliver concrete results that benefit stakeholders and which provide a return on the political capital expended by the senior-level policymakers, politicians and regulators who engage in this area. This will require more than an examination of theory and policy, although efforts to spur innovation in the private sector can be, and sometimes must be, buttressed by through supportive frameworks that are established in the public sector. The challenge will lie in selecting the proper contexts in which to focus the work of the Dialogue.

It will also be important, as stated in the Notice, to ensure that the work of the Dialogue aligns with and builds upon the activities and actions that are taking place within the other transatlantic fora, such as: the U.S.-EU Intellectual Property Rights Working Group, the U.S. and EU Energy Council, the U.S.-EU Science and Technology Agreement, the U.S. Department of Commerce- European Commission Standards Dialogue, the

The BDI has considered the questions posed in the Notice, and canvassed the views of its member associations, and recommends that the Dialogue incorporate the following technology areas and industry sectors into its work plan, to bolster EU and U.S. efforts to stimulate growth, productivity and entrepreneurial activity. It should be noted that, while these several areas are noted at the outset, additional technology areas and industry sectors may surface as comment is received from other interested parties and officials at the European Commission's Directorate-General for Industry and Entrepreneurship continue their dialogue.

What specific technology areas and industry sectors should the U.S. and EU focus on?

- **Electric Mobility**
- **Radio Frequency Identification Technology (RFID)**
- **Nanotechnology**

3. Electric-Mobility

The BDI recommends that the Dialogue integrate **electric-mobility** into its agenda, with a focus on alternative power train technologies, as well as the entire value chain that will be required to create a commercially viable electric transport sector characterized by vehicles that are powered by battery, by hydrogen paired with fuel cells, and by other advanced technologies. Innovative technologies can play an important role in the Transport sector in meeting challenges of the 21st century – high gasoline prices, oil dependence, energy security, greenhouse emissions, congestion, especially in and around metropolitan areas, smog, ambient noise – in revitalizing important manufacturing businesses, and in creating jobs. German companies have some of the most advanced technologies in this area. The BDI and its Members have strong interest to promote greater transatlantic cooperation in this area.

To maximize the potential to deliver concrete results – shared policy parameters, harmonized or compatible regulations, common standards, joint projects to accelerate commercialization and large scale deployment – the Dialogue ought to consider electric mobility in all of its dimensions and across the entire value chain. To develop a commercially viable electric transport sector it will be necessary to engage all of the key actors, including the utilities (power generators, utilities, electric grid operators) and the electric industry companies that supply important products and services.

Consistent with a broad focus on the elements that must function together to deploy electric-mobility on a national and transatlantic basis, particular attention should be placed in two areas: a) **battery-powered vehicles**; and b) **hydrogen/fuel cell-powered vehicles**. These areas can contribute to meeting climate change targets in EU and the U.S., and the technologies complement one another, to the extent that each makes a different contribution to emissions-free mobility. Battery-powered vehicles are ideal for dense urban areas where congestion is high but daily transportation requirements are low. Hydrogen-powered fuel cell vehicles make sense for longer distances and for varying purposes, including long-haul transport.

Closer transatlantic cooperation on electric mobility can help to secure the long-term competitiveness of American and European core industries such as automotive manufacturers and suppliers, electrical and electronic component manufacturers, and the energy, chemical, engineering, information technology and communications industries.

What government policies that enable innovation should the U.S. and EU address?

- The Dialogue should examine how to achieve more effective transatlantic cooperation regarding R&D, standards and norms that can help to revolutionize the way in which motor vehicles are powered, with commensurate benefits for the transatlantic economic relationship. In debating the policies and other incentives that will be necessary to create the conditions necessary to shift the transportation sector onto an electric basis, it will be imperative to strive for solutions that can deliver reliable, long-term results, and that can be applied on a global basis to avoid market fragmentation and commercial barriers.
- Given limited public sector resources, the Dialogue should assess the allocation and prioritization of public-sector funding for R&D.

What should the short and long term objectives be for each identified project?

The Dialogue should consider targeted projects that address the elements noted below, mindful of the technology recommendations made above:

- 1) **Joint standards development:** focus should center on establishing and agreeing on joint standards for electric mobility and electric vehicles, as divergent standards can hinder transatlantic economic integration. Parallel developments and discrete market-specific solutions can cause unnecessary costs due to the market-specific vehicle designs that are then required. This can be avoided by harmonizing, or implementing compatible overall conditions and standards. For instance:
 - *Joint standardization of charging interface*
 - *Joint standardization of power electronics*
 - *Joint standards on energy storage systems*
- 2) **Clear political framework conditions:** are needed with respect to the promotion of and preparations for attractive, technology-neutral conditions pertaining to electric mobility, to encourage OEMs (original equipment manufacturers) and other involved industries to invest in new technologies (R&D), and to create consumer demand.
- 3) **Joint demonstrations to accelerate commercialization:** link U.S. and European cities with electric vehicle demonstration programs to collect and share data on charging patterns, driving experiences, consumer preferences, successful policies, etc.

- 4) **Public engagement:** bring together key stakeholders in the U.S. and the EU to share information regarding best practices and to identify new areas for collaboration.

What specific outcomes should the U.S. and EU try to achieve by 2011?

- The TEC should approve and facilitate, through the Dialogue, with close engagement by interested parties in the private sector, electric mobility as a “lighthouse project”, as has been suggested by the German Government.
- The Dialogue should conduct a review of the prevailing policies in the EU and the U.S. that pertain to hydrogen/fuel-cell powered vehicles. Particular attention should be placed on the suite of U.S. policies and incentive programs, which are generally managed by the U.S. Department of Energy (DOE). It is possible that a gap is emerging with respect to the relative policies and incentive programs being pursued in Washington and Brussels. To succeed in competitive markets, industry requires predictable policy frameworks and incentive programs (on both sides of the Atlantic) that are inclusive and do not exclude foreign-based applicants.
- The Dialogue should examine whether DOE-administered programs that are set to expire at the end of this year (2010) will receive additional funding or reauthorization. Vehicle manufacturers and OEMs would benefit from longer-term, reliable policy signals to facilitate capital, investment, and purchasing decisions. A similar review should occur within the EU, including, where applicable, at the Member level.

The German automotive and electrical and electronic industries are investing considerable resources in the foregoing technologies to bring down costs and to accelerate wide-scale deployment. Investments in energy networks, in charging and communication interfaces, in plant engineering, as well as in the construction and the chemical industries, are of vital importance also to the rapid implementation of electric mobility.

Political support, alongside the private sector efforts, is required to guide the development of these areas on a sustainable basis. Transatlantic cooperation is essential too. The Dialogue, with robust engagement by the transatlantic business community, and with commensurate political support, could play an important role in helping to set the proper framework conditions for promoting next-generation power train technologies, and thereby aid in the creation of the context necessary for these advanced technologies to succeed commercially.

4. Radio Frequency Identification Technology (RFID)

Radio Frequency Identification Technology (RFID) is an area that is expected to experience substantial growth in the coming years. The topic has been raised in prior TEC meetings and was the focus of a conference organized by the TransAtlantic Business Dialogue (TABD) in Washington, D.C. on September 22, 2008. While RFID can be used in a variety of applications and settings, there are concerns that the technology, if not properly regulated and controlled, could pose a risk to consumers and other users. Further, the current diversity (or lack) of regulations and technology standards may hamper business opportunities and limit potential growth. The Dialogue could address a variety of procedural, jurisdictional, regulatory and practical concerns.

For topics identified, what form should cooperation take (exchange of data, knowledge transfer)?

To foster R&D and the roll-out of new products and applications, the Dialogue should support cooperative projects and convene panels with transatlantic actors to share best practices. In the context of gathering and sharing data, the Dialogue should promote greater consideration of complementary technologies such as Global Positioning System (GPS) and General Packet Radio Service (GRPS).

What specific outcomes should the U.S. and EU try to achieve by 2011?

- The Dialogue should achieve greater transatlantic cooperation regarding standards and interoperability. These tasks may be best suited to the various standards organizations, including: the American National Standards Institute and the European Committee for Standardization (CEN). The public sector authorities responsible for allocating spectrum and frequency within national (or EU) boundaries should take account of the need to promote RFID on a global basis and strive to avoid cross-market interference. Regulations regarding data privacy should be proportional to the competing interests, and embody compatibility requirements at the international level.

5. Nanotechnology

Germany, alongside the U.S., Japan and Korea are global leaders regarding the use of nanotechnology. German industry can contribute leading technology to boost growth in this area.

What specific outcomes should the U.S. and EU try to achieve by 2011?

- The Dialogue should coordinate greater cooperation to address concerns regarding the use of nanotechnology, and to prevent

nanotechnologies from becoming stigmatized as a “high-risk” environment. Greater transatlantic dialogue would also help facilitate greater consensus at the international level. Already, Germany and the U.S. have intensified R&D pertaining to the safety implications of nano-materials within the context of the OECD. The Dialogue could accelerate and expand these efforts.

- The Dialogue should also foster greater transatlantic cooperation to make the use of nontechnology more transparent, such as within the context of energy efficiency devices, and with regard to the medical sector. This work could have beneficial knock-on effect at the international level.
- The Dialogue should investigate useful links to the ongoing OECD work focused on the responsible handling and use of nanotechnologies, which would lead to a discussion of the associated regulatory issues.

Conclusion

The BDI, on behalf of its Members, and on behalf of the interests of the broader German industry, appreciates the opportunity to submit comment in connection with the priorities, policy matters, and specific substantive issues areas that ought to be considered as the Directorate-General for Enterprise and Industry and the U.S. Department of Commerce prepare the agenda and work plan for the Innovation Dialogue. We look forward to further information regarding the Dialogue and stand ready to offer substantive expertise and practical experience as applicable to facilitate the process.

With judicious planning, robust engagement by interested parties in the private and public sector, and political support, the Dialogue will be in good position to deliver on its objective to achieve tangible results in job creation, higher competitiveness and economic growth, and solutions for addressing societal challenges, for the benefit of companies, workers, consumer and other stakeholders.

We appreciate your consideration of these comments and would be pleased to answer any questions that you may have.

Sincerely,

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CC Dr. Stefan Mengel, European Commission, Unit D1 - Innovation
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BDI Member Associations

- Association of the German Automotive Industry (VDA)
- German Construction Industry Federation (HDB)
- German Building Materials Association (S+E)
- German Raw Materials and Mining Association (VRB)
- Association of the German Chemical Industry (VCI)
- German Electrical and Electronic Manufacturers' Association (ZVEI)
- German Association for the Waste Disposal Industry (BDE)
- Association of the German Oil and Gas Producers (WEG)
- Federation of the German Food and Drink Industries (BVE)
- German Association of Research-based Pharmaceutical Companies (VFA)
- German Foundry Association (BDG)
- Glass Industry Federation (BVGLAS)
- German Property Federation (ZIA)
- Working Group for miscellaneous Industries
- BITKOM German Association for Information Technology, Telecommunications and New Media
- German Association of German Potash and Salt Industry (VKS)
- Federation of German Fine Ceramic Industry (AKI)
- German Aerospace Industries Association (BDLI)
- German Machinery and Plant Manufacturers' Association (VDMA)
- Federation of the German Non-Ferrous Metals Industry (WVM)
- Association of the German Petroleum Industry (MWV)
- German Pulp and Paper Association (VDP)
- German Pharmaceutical Industry Association
- German Shipbuilding and Ocean Industries Association (VSM)
- German Steel Federation
- Structural Steel and Power Engineering Association (SET)
- Association of Steel and Metal Processing Industry
- Central Confederation of German Textile and Fashion Industry
- Federal Association of the German Tourism Industry (BTW)
- German Association of Consulting Engineers (VBI)
- Association of German Interconnected Energy Companies (VDV)
- German Airports Association (ADV)
- Association of Sugar Manufacturers
- German plastics industry federation