

For  
The European Commission  
Directorate-General for Enterprise (DG ENTR)

# Evaluation of the 'Communication on the State of Competitiveness of the EU Forest- Based and Related Industries'

## Final Report

### VOLUME I (Main Report)

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## **VOLUME III: ANNEXES**

**Note:** In this Report, the terms:

- ◆ *DG Enterprise* and *DG ENTR* are used interchangeably to refer to DG Enterprise
- ◆ The 'FBI Communication' and 'The Communication' are used interchangeably to refer to 'Communication on the State of Competitiveness of the EU Forest-Based and Related Industries' adopted by the European Commission in 1999

<b>LIST OF ACRONYMS<sup>1</sup></b>	
<b>AGDW</b>	Arbeitsgemeinschaft Deutscher Waldbesitzerverbände
<b>The (FBI) Communication</b>	The Communication on the State of the Competitiveness of the EU Forest-Based and Related Industries
<b>CEEC</b>	Central and Eastern European Countries
<b>CEI-BOIS</b>	European Confederation of Woodworking Industries
<b>CEPF</b>	Confédération Européenne des Propriétaires Forestiers
<b>CEPI</b>	Confederation of European Paper Industries
<b>CITPA</b>	The International Confederation of Paper and Board Converters in Europe
<b>DG-ENTR</b>	DG Enterprise (European Commission)
<b>DFWR</b>	Deutscher Forstwirtschaftsrat
<b>DHWR</b>	Deutscher Holzwirtschaftsrat
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>EU-10 or NMS</b>	10 New EU Member States
<b>EU-15</b>	15 EU Member States
<b>FBI</b>	Forest Based and Related Industries
<b>FFCS</b>	Finnish Forest Certification System
<b>FFIF</b>	Finnish Forest Industries Federation
<b>FLEGT</b>	Forest Law Enforcement Governance and Trade Initiative
<b>FSC</b>	Forestry Stewardship Council
<b>HDH</b>	Hauptverband der Deutschen Holz und Kunststoffe verarbeitenden Industrie (German Woodworking and Plastic Industries Association)
<b>IFF</b>	Independent Forum on Forests
<b>INTERGRAF</b>	International Federation for Printing and Allied Industries
<b>IPP</b>	Integrated Product Policy
<b>ISO</b>	International Standard Organisation
<b>MS</b>	Member States
<b>NMS</b>	New Member State(s)
<b>NFP</b>	National Forest Programme
<b>PEFC</b>	Programme for the Endorsement of Forest Certification
<b>SAPARD</b>	Special Accession Programme for Agriculture and Rural Development
<b>SFIF</b>	Swedish Forest Industries Federation
<b>SME</b>	Small and Medium Enterprises
<b>TEEC</b>	The European Evaluation Consortium
<b>VDP</b>	Verband Deutscher Papierfabriken
<b>WIPO</b>	World Intellectual Property Organisation
<b>WTO</b>	World Trade Organisation
<b>WWF</b>	World Wildlife Fund

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<sup>1</sup> Includes commonly used acronyms.

# 1. EXECUTIVE SUMMARY

## 1.1. BACKGROUND

This is the Final Report of the Evaluation of the Commission Communication “The State of the Competitiveness of the EU Forest-Based and Related Industries”. This evaluation has been undertaken by The European Evaluation Consortium (TEEC) for DG Enterprise of the European Commission.

### 1.1.1. What are the Forest-Based Industries?

The Forest-Based Industries (FBI) comprise those industries connected through their sustainable production and use of wood as a common raw material and linked by common input flows along two basic value chains. The common starting point up-stream is their common raw material: wood from forests.

The FBI industries represent one of Europe’s largest industrial sectors, accounting for around 10% of European manufacturing industry’s total value of production. When the 1999 FBI Communication was published, the industries had a combined turnover of €320 billion and employed approximately 2.6 million people directly. Suppliers to the FBI industries include approximately 12 Million private forest owners, and many other product and service suppliers, including those working in specialized machinery and equipment, chemicals, and furniture and wooden construction elements for building use. When one includes the supplier industries to the FBI cluster, the cluster has a total turnover in excess of some €450 billion. In addition to the significant economic importance of the FBI in Europe’s economy, in terms of turnover, value-creation and employment, the cluster has an added socio-economic importance in that it is a significant provider of employment in rural areas and a core part of the fabric of many rural communities.

### 1.1.2. About the 1999 FBI Communication

The FBI Communication was adopted by the European Commission in October, 1999 and by the Council of Ministers in November, 1999.<sup>1</sup> The FBI Communication addressed five sectors referred to as the “Forest-based industries,” including: woodworking, pulp and paper production, paper and board converting and packaging, printing and publishing, and the forestry sector in terms of its important linkages with these sectors and core position with the wider value chain.<sup>2</sup>

The significance of the 1999 FBI Communication lies in part in that it represented the first attempt to adopt one single structured approach to the numerous common challenges these industries were facing.

Key Challenges & Action Areas Identified in COM(1999)457

The following six key challenges and *Action Areas* were identified in the Communication:

- ◆ The growing impact of globalisation;
- ◆ The enlargement of the EU;
- ◆ The increased sensitivity towards sustainable development, environment and energy;
- ◆ The accelerated technological evolution and its implications for human resources;
- ◆ The evolving international and EU regulatory and economic framework;
- ◆ The growing importance of communicating a good image to society.

### 1.1.3. About This Evaluation

In 2003, the European Commission decided to examine the extent to which the FBI Communication addresses the current state of affairs of, and challenges faced by, the European FBI. The aim of the present evaluation is to analyse the relevance, efficiency, effectiveness, utility and sustainability of the

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<sup>1</sup> Adopted by the Commission in October 1999 (COM (1999) 457 Final), see also the conclusions of the Council of Ministers in November 1999 (2214th Council Meeting of 9.11.1999) and the European Parliament Resolution from January 2001 (A5-0384/2000 Final)

<sup>2</sup> However, the publishing sector and furniture sector are no longer covered by the scope of the 1999 FBI Communication.

Communication in order to establish whether the FBI Communication is still relevant regarding the current challenges facing the FBI.

The evaluation work has involved consultation and feedback with more than 100 stakeholder representatives across industry, government, European institutions, research organisations, and NGOs, using a variety of evaluation tools: a questionnaire survey, telephone interviews, desk research and six country case studies as well as numerous meetings in Brussels with EC representatives.

## 1.2. THE EVALUATION FINDINGS

### 1.2.1. Introduction

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This section summarises the evaluation's findings concerning the relevance, efficiency, effectiveness, utility and sustainability of the Communication. However, before doing so it is important to consider the evaluation's findings in the wider EU policy and implementation context within which the implementation of the FBI Communication has played out between 1999 and 2004.

#### **The Policy and Implementation Context of the FBI Communication - Relevant Constraints**

The research shows that the impact of the FBI Communication has been influenced by specific constraints within the EU policy framework on one hand, and by a number of factors that have constrained the implementation of the FBI Communication's actions on the other hand.

##### *Policy-Related Constraints:*

Policy-related constraints at the European level against which the FBI Communication's results need to be considered include:

- ◆ *An EC Communication with a somewhat different rationale:* The FBI Communication was somewhat different from many other previous EC sectoral Communications in that the development of the Communication was not driven by a perceived need to tackle significant structural issues facing these sectors, as has tended to be the case with most sectoral communications developed by the European Commission (e.g. declining industrial sectors such as ship-building, steel etc.). The impetus for the FBI Communication came in part from the increased importance of the FBI within the EU's industrial landscape following the accession of Finland, Sweden and Austria, and a political desire among the new members and industry stakeholders to create in part a greater awareness of the size and importance of the FBI industries within the EU economy. Other motivations included the need to highlight the importance of other horizontal issues for the FBI industries, such as the planned EU Enlargement towards the East, the common challenge the FBI industries faced in changing public perceptions about their industry and increasing awareness of the FBI's sustainable credentials.
- ◆ *An EC Horizontal Policy Framework:* Related to the first point, European Commission policy-making during the 1990's has witnessed a progressive move away from policy making characterised by a somewhat sectoral approach, and towards a horizontal policy making framework. This has resulted in a less interventionist approach and a corresponding move away from sectoral actions and instruments. The FBI Communication was therefore developed in a policy environment where EU sectoral policies were being progressively integrated into horizontal frameworks and regulations. In such a policy context, a specific FBI sectoral programme to address some of the challenges facing the FBI industries was probably unlikely, and thus any measures relating to the FBI industries would have to be realised primarily through existing EU horizontal policies and instruments.
- ◆ *EC Policy Priorities:* Since the publication of the FBI Communication in 1999, the last 5 years have been marked by a European Commission where environmental priorities have been consistently high on the agenda, and a higher priority than the competitiveness of the FBI industries.

##### *Implementation-Related Constraints:*

The FBI Communication has been implemented in a context where important constraints have exercised an influence, both related to the nature of the Communication itself and especially to the 'implementation landscape' on which its actions have been targeted. Specific constraints include:

- ◆ *The Non-Binding Nature of the FBI Communication:* A key issue informing the evaluation is of course the fact that the Communication's recommended actions carry no legal weight, and therefore any

lack of take-up or lack of implementation of its actions cannot be pursued by threat of legal or other sanction.

- ◆ *Implementing the FBI Communication's Recommended Actions:* Many of the recommendations fall outside of the scope of action of the European Commission itself, and instead require action by other stakeholders including European and national FBI federations and industry associations and EU Member State governments. This is also the case with other sectoral initiatives, such as the Textile Action Plan, where the EC plays a relatively limited role in terms of direct execution of the actions and measures set out. Given that the textiles sector is a 'sensitive' sector, this suggests that the DG Enterprise FBI unit, with responsibility for FBI industries that are much more global and competitive, will be more oriented around existing horizontal EU policies.
- ◆ *The FBI Communication as a Basis for Action:* Many of the Communication's actions were relatively vague, with little quantification of goals, progress metrics and the timeframe during which these goals were to be achieved. Chapter 4 of the report considers the formulation of the actions for each of the 6 Action Areas. Some of the actions represent a list of activities without clear specification as to what the end goal is. Even more noticeable was that the Communication did not specify clear designation of responsibilities to the different stakeholders targeted by the Communication.

As an example, if one considers below the second (underlined) part of the first recommended action under the 'Globalisation' Action Area: "*Encourage the EU-FBI-IND to adapt and restructure using market-driven mechanisms and improve the availability of funding*". Here, no clear type of funding is specified (bank loan financing, private equity etc.?), the target type of companies (large corporates, medium-sized companies, small or micro-companies?), or the purpose of such funding (funding growth, acquisitions, short-term treasury facilities?), not to mention specifying whether public/government organisations are to be involved or whether private industry and market forces should provide the solutions.

- ◆ *The Importance of Involving Many Commission DGs:* The FBI unit within DG Enterprise (Unit E4) provided the driving impetus for the research and development of the FBI Communication, and has been the place where 'ownership' of the FBI Communication has resided within the Commission. However, with regard to actions where the Commission could be considered responsible, DG Enterprise does not have sole legal authority to implement these actions. Implementation would require activities by DG Enterprise along with other Commission services (e.g. DG Environment, DG Market, etc). Thus the ability to secure the participation of other DGs (often larger and more powerful than DG Enterprise) would likely be an important factor in ensuring effective implementation of the recommended actions in the Communication.

### **1.2.2. Relevance**

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The evaluation findings show that industry stakeholders consider the FBI Communication to be relevant to their respective industries. The European Commission's robust consultation process has undoubtedly played an important role here, resulting in a relatively favourable assessment by industry players on the Communication's SWOT analysis and the choice of Action Areas included in the Communication. The general feedback is that the scope and depth of the Commission's research brought strong credibility to the Communication, as well as new knowledge on the FBI industries to policy makers and industry stakeholders. Thus, the evaluation research both in the survey programme and country fieldwork programme showed that stakeholders considered that the Communication's diagnosis of the FBI's strengths and weaknesses and competitive challenges as accurate. Given that the FBI represents a number of different sectors of stakeholders, the overall satisfaction with the consultation process and the Communication's FBI diagnosis reflects particularly well on the work of the European Commission.

Many industry stakeholders consider however that the relevance of the Communication would have been enhanced had it included sections focussed on the various FBI sectors individually, and not only an FBI-level diagnosis. To some extent this is a perception issue, in that the FBI analysis in the Communication is in any case 'built up' from the detailed sector-specific research and analysis work undertaken by the EC as part of the preparatory work leading up to the Communication. In part it also seems to reflect differing and changing opinions, in that it is understood that it was industry representatives that requested an aggregated FBI-level analysis in order to keep the FBI Communication as short as possible.

Do the FBI sector players consider that the FBI categorisation adequately represents their sector? The research findings show some scepticism among some parts of the FBI industries as to the appropriateness of being labelled as an 'FBI' industry, with significant variations across EU Member

States, as well as between FBI sectors. In Finland, for example, the FBI sector players identify in large part with the FBI categorisation, which is not surprising given that the FBI cluster concept basically originates there. Among the countries where fieldwork was undertaken, identification with FBI was probably lowest in Italy, where many actors question the validity of the concept for the Italian working environment. In terms of sector variations, the pulp and paper sector tended to show highest support for the FBI categorisation, with the printing and packaging sectors tending to show much more scepticism or ambivalence. The printing sector shows some ambivalence to the FBI categorisation, based on both its desire to promote the printing industry's image as a creator of communications activity (rather than FBI), coupled with a perception of some negative reaction in its target markets to an FBI-centred description.

In Germany, the strongest scepticism exists among the paper converting sector regarding the relevance of the FBI cluster, where it was thought that the FBI cluster concept made least sense in terms of the low linkages between paper converting and the woodworking and forestry sectors. In contrast, a concept that focussed more on the paper converting sector's linkages with the paper and printing sectors was considered to hold greater appeal and relevance. In Italy, scepticism about the FBI cluster concept also related in part to the low level of perceived linkages between the paper industry and woodworking industry, with some interviewees considering these sectors as 'largely irrelevant to each other'.

Industry stakeholders consider that the relevance of the Communication could also have been enhanced with greater specificity and precision in the actions set out within the document. Interestingly, the feedback from the survey suggests that European and National industry stakeholders believe that the scope of policy needs covered by the FBI Communication left significant scope for greater coverage of other FBI needs. This may in part reflect a belief that the EU can initiate action in areas where in fact it does not have authority. It does raise a relevant point in that for any policy initiative there are always compromises to be sought between the number of issues being proposed by stakeholders for inclusion and the desirability of not ending up with a policy initiative that seeks to address too many issues and challenges. The fact that an FBI Communication caters to a number of industries that, while sharing important linkages and commonalities, also differ in important respects, makes the pressure to widen the policy focus all the greater.

Regarding what other issue of importance for their sector that stakeholders consider should be addressed, the country fieldwork has identified a number of areas where FBI players would like to see policy initiatives taken. (see Table below).

*Policy Issues Where Demand Exists for the EU to Act – Feedback from Selected Member States*

Country	Areas Where the EU is Requested to Intervene
Finland	<ul style="list-style-type: none"> <li>• Continuation and improvement of FBI forums</li> <li>• Creation of a research platform for technology</li> <li>• Control of new EU legislation affecting FBI</li> <li>• Promotion of wood as unique form of sustainable development</li> <li>• <u>Harmonisation of building norms for wood products</u></li> </ul>
Germany	<ul style="list-style-type: none"> <li>◆ Harmonisation of EU (environmental) legislation</li> <li>◆ Better co-ordination and coherence in the development of EU legislation</li> <li>◆ Better impact assessment prior to preparing legislative proposals</li> <li>◆ Support for companies seeking to access third country markets</li> <li>◆ Work to remove market distortions and create a level playing field</li> <li>◆ Increased focus on competitiveness issues, and better centralisation, and co-ordination, of policy-making for the FBI cluster and forestry sector</li> </ul>
Italy	<ul style="list-style-type: none"> <li>• National waste management schemes</li> <li>• <u>Regulation of e-commerce (perhaps through voluntary standards)</u></li> </ul>
Sweden	<ul style="list-style-type: none"> <li>◆ Harmonisation of standards (especially with regard to wood products and building components)</li> <li>◆ Support for FBI-related research</li> </ul>
UK	<ul style="list-style-type: none"> <li>◆ Promotion of the opportunities available in the single market</li> <li>◆ The creation of a research platform for technology</li> <li>◆ Promotion of ways the FBI can work together as a common industry and improved cooperation between Member States</li> <li>◆ <u>New EU legislation favouring wood on the basis of its positive environmental performance.</u></li> </ul>

Some of these represent continuations of existing recommendations, while others are new. Regarding existing actions, there is a widespread perception that the competitive needs of business were not sufficiently addressed during the last 5 years, a perspective that is strongest in the pulp and paper sector. The table above shows an overview of areas from the country fieldwork where the EU is requested to intervene. The Thematic Reports in Section 4 also review progress and in particular new issues across the existing Action Areas.



### **1.2.3. Efficiency**

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Not only did the content and quality of the Commission's research and preparatory work underpinning the FBI Communication's analysis and recommended actions generate satisfaction from industry stakeholders, but considerable satisfaction also exists with the Commission's development process for the FBI Communication. The survey findings suggest that most national FBI federation respondents perceive that focussing the consultation process primarily on the representative European industry federations in order to solicit FBI industry input was appropriate. In Finland, feedback from FBI stakeholders considered that the development process was clearly the most successful stage of the FBI Communication and the Commission's consultation of industry was highly regarded.

Regarding actions taken, the research showed that most FBI players struggle to identify concrete actions taken at the national level that can be linked to the FBI Communication. It should be emphasised here that the national federations' perspective is to be likely determined in larger part by an assessment of progress at the national level (and less likely to include an assessment of European-level actions). The European federations' assessments of progress are much more positive, both in terms of the progress made and the role played by the FBI Communication. Actions launched at European level directly linked to the Communication have represented a mix of different types of actions, with research, benchmarking, dissemination and consultation related actions being the most prevalent.

While the fact that most respondents struggled to identify actions linked to the FBI Communication at a national level is a good indicator of the general level of impact of the FBI Communication at national level, it does not however provide the complete picture. Actions directly linked to the FBI Communication have taken place at national level, such as decentralised seminars around communication and promoting the FBI sectors towards young persons, and the PHARE-supported Business Support Programme supporting institutional development in the New Member States. Another further qualification here is that some FBI Communications would not have required specific action at national level as part of their implementation.

Regarding the types of actions used to implement the Communication's recommendations, the research suggests that these vary to some extent between the action areas. Actions related to *Communicating a Positive Image* have, for example, tended to be centred on research, consultation, information dissemination and awareness-raising, and marketing and educational campaigns. In contrast, legislation has played a much more central role in the area of *Environment, Energy and Sustainable Development* (however most of this legislation has been connected to wider EU environmental policy and not directly to the implementation of the FBI Communication's recommendations). Regarding the actors involved in implementation, actions undertaken have been taken primarily by the Commission and to some extent by the European industry federations. National governments and national federations do not appear to have been efficiently involved in the implementation process, with this in part being due to insufficient communication and dissemination around the FBI Communication, and the lack of an official implementation plan and a sustained effort to solicit and maintain their involvement.

The lack of significant and consistent guidelines for the implementation of most recommendations makes it difficult to conclusively identify whether they have been more efficient than others. However a number of research, consultation, and dissemination actions undertaken in the Action areas of "FBI Image" (Action Area 6), policy dialogue mechanisms, and to a lesser extent climate change issues (Action Area 3) would appear to have been relatively efficient. The actions undertaken and strategy developed by the EC regarding Action Area 6 (FBI Image), where numerous other organisations have been involved in developing and implementing actions, has much to recommend it in terms of efficiency insofar as the approach has leveraged engagement from other players beyond the Commission. Overall, if any type of action has proved to be more efficient it might be consultation measures.

At the European level one of the Communication's recommendations, the establishment of an "FBI Forum", has been acknowledged as a relatively efficient process, and has been well received by industry stakeholders, notwithstanding some perceived need for improvement and development. Significant work and effort has been invested by DG Enterprise in launching the Forum and in leading the organisation of the first two FBI Fora. The fact that the FBI Forum concept has been embraced by the core industry federations and that they have taken the lead organisational role for future FBI Fora, will likely deliver increased increase their synergies and enhance efficiency.

Regarding monitoring practices, systematic monitoring of progress on implementing the FBI Communication's actions has not been sufficient, in particular regarding communicating and sharing this information among stakeholders. In the FBI federations, periodic reports were used in part to track

industry progress on certain issues (e.g. CEPI's tracking of the Voluntary Declaration on Paper Recovery), although this tracking is not directly related to the FBI Communication.

The FBI Communication has led to some changes in work structures and practices, with the European Federations adapting some of their lobbying and consultation practices. Examples include the increased co-ordination and consultation among the FBI industry federations, and development of shared positions on certain policy issues. These changes are probably best exemplified by the European Paper Confederation (CEPI), which has invested greatest effort in managing the co-ordination between the European FBI federations, and has led the FBI federations' input into the organisation of the FBI Forum. The International Confederation of Paper and Board Converters in Europe (CITPA) considered that the improvement in its co-ordination and consultation with CEPI has been primarily due to the impact of the FBI Communication, while another federation considered that the FBI lobbying platform was the single most valuable platform it had to communicate its industry's issues and challenges to the European Commission and other EU institutions. The European Commission's work practices have also changed under the influence of the FBI Communication, in particular through the increased level (and type) of consultation with the FBI industry federations (Advisory Committee Working Groups, FBI Steering Committee etc.), and in the work generated in preparing the FBI Forums.

Overall, the efficiency of the implementation process has been constrained by the lack of clear assignment of responsibilities to each of the Actions set out in the FBI Communication, and this has led to some confusion between core stakeholders as to who was expected to do what. The wider implementation approach leaves scope for improvement, in terms of management, flexibility, troubleshooting, as well as monitoring and evaluation practices. The EC will also need to re-examine some of its work practices and in particular to review EC inter-service co-ordination.

#### **1.2.4. Effectiveness**

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The FBI Communication has undoubtedly been effective in securing increased visibility for the FBI, something that is clearly important for the European industry federations. The Communication has also significantly enhanced EU-level policy dialogue mechanisms between the FBI industry federations, as well as between the Commission and the FBI federations.

However, the research shows that the FBI Communication has not been effective in generating significant visibility at the national level, with most industry federations and other national players reporting low levels of familiarity with the Communication. It should however be emphasised that awareness of the FBI Communication has been negatively impacted by the fact that, 5 years after its publication, many persons familiar with the Communication within national FBI industry federations have now moved on to other professional roles. The fact remains however that the FBI Communication today commands low levels of visibility and awareness at the national level. Finland is somewhat of an exception - while companies and research institutions in general seemed to be unaware of the Communication, persons in contact with the European FBI industry federations and the government FBI unit were familiar with the Communication and were highly appreciate of it as a tool to promote industry and awareness of the FBI at an EU level.

On the positive side, there are clear steps that could be taken to increase effectiveness at the national level. A greater dissemination and communication effort around the Communication would help lay the foundation for a more effective implementation process at national level. In Italy, for example, numerous interviewees stated that they would welcome a visit from EC officials to discuss and exchange perspectives on European and Italian FBI policy goals and challenges.

The survey findings showed that the national FBI federations in general perceive that little progress has been made, with only 20% of the 35 recommendations securing a medium or better assessment in terms of progress made. Again, the most favourable assessment came for actions in the image and communications area (Action Area 6). While the European Federations have a somewhat more positive perspective, they also identified few instances where progress on recommendations was medium or better.

Some promising work has been undertaken across a number of the Action Areas, in particular regarding FBI Image, where the EU Perceptions Study has heightened awareness among FBI players of the image challenge. However, it is too early to comment regarding results and impact for many of the actions taken in this area since 2002. Regarding Action Area 2 (Enlargement), the accession of the New Member States has been consummated, however, one cannot credit the FBI Communication for the successful outcome here (as this process would have happened anyway). Some useful work in the area of

enlargement preparation has also been done through FBI-specific actions such as the PHARE-supported Business Support Programme in the woodworking and furniture sectors in the former Accession States.

Beyond legislative and policy development, the European industry federations were basically the core dissemination and implementation vehicles through which the FBI Communication's actions were meant to impact on the FBI Sector. It is clear that a number of actions were the responsibility of the European Commission, either solely or in conjunction with International bodies, and the only role of industry would have been to provide timely and representative industry input to the European Commission, as well as reaction on specific proposals.

Both the Commission and industry consider that the communication and information flows can be improved. Regarding communication processes, national federations are not aware of some work that has been carried out by the European Commission (or their European federations). Many instances were identified where both stakeholder groups had expected action from the other party when none was forthcoming, and this points to the need for a clearer management of expectations by all parties, as well as better communication and detailed planning. Ensuring all parties are aware of work undertaken and progress made is vital in terms of maintaining enthusiasm and momentum in executing actions for which the implementation path is often complex and protracted (e.g. seeking amendments on existing or proposed legislation).

The fact that most of the action areas where the European Commission would require other Commission services to take action meant that securing uptake of actions across the Commission services was key. This in turn meant awareness of the Communication and FBI issues in the different services was important, with the likely starting point being one of lower awareness, given that there was no previous history of Commission policy regarding the FBI, unlike other sectors such as textiles and ship-building where such sectors' challenges Commission's policies were more visible. This has all contributed to making the implementation path for the FBI Communication more challenging.

In terms of successes, it would appear that in many cases where there have been effective outcomes that DG Enterprise has had the authority to launch and follow-through with these actions, and that the actions did not involve complex development processes in long time horizons (for example regarding legislative development).

### **1.2.5. Utility**

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The FBI Communication is perceived to have had clear value in helping identifying challenges facing the FBI sectors and in identifying actions to address challenges (but not in securing implementation of actions). A key value of the Communication is that it has helped industry players better understand the linkages between the FBI sectors, and the commonalities they share.

If the FBI Communication has proved valuable through setting out goals (albeit rather vague ones) in the form of recommended actions, it has not proved to be of value in helping to monitor and 'keep score' on implementation. Many stakeholders, when asked to specify where the experience with the FBI Communication had provided value, replied that 'the process has been at least as valuable, if not more, than the concrete results.'

Some FBI industries, in particular the printing and board converting sectors, face significant overcapacity and/or over-fragmentation challenges. Regarding the regulatory environment, the survey showed that national FBI federations perceive a worsened competitive situation, and this is seen to be of major concern to the pulp and paper industry, with a streamlining and reduction of the regulatory burden having become a more important issue for this sector. In Germany for example, the pulp and paper industry considers that its already 'high-regulation climate' for environmental management is being added to by a stream of steady new measures from the European Commission, and has serious concerns about the impact on its competitive position in this global industry. This concern with the regulatory burden is one that is shared also by the European Federations, especially the representative body for the paper industry (CEPI).

The Communication has been perceived as having had value in influencing DG Enterprise and the EU Federations activities, while it has been less useful in helping industry to influence other Directorate Generals within the Commission. In part this is not surprising, as it is the DG Enterprise FBI Unit that is the intellectual and policy owner of the FBI Communication. However, the perceived limited value that the FBI Communication is considered to have had in influencing other Commission services, in particular DG Environment, suggests that the communication and information flows between Commissions services

regarding the Communication need to be reviewed. When it comes to influencing at the national level, it is rated poorly as an aid to influencing national governments, sharing best practice, or promoting 'intra-FBI' communication.

The FBI Communication's utility is greatest in terms of the increased visibility at EU level for the FBI industries and the enhanced policy dialogue mechanisms that it has fostered. The enhanced co-operation and consultation between European FBI federations, and between the FBI federations and the European Commission, is considered a key value outcome that has been generated in significant part by the FBI Communication. This message was regularly received during the evaluation fieldwork, for example FBI industry stakeholders interviewed in Sweden considered that the FBI Communication's value has been greatest in terms of "improving the 'status' of the FBI and putting it on the political map of Europe".

### **1.2.6. Sustainability**

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Has the Communication promoted restructuring and increased competitiveness among FBI? Based on the research findings this is unlikely, although some FBI players assess that it has proved helpful in raising awareness among industry players regarding the (then) approaching enlargement.

Sustainability is clearly in evidence in the benefits of enhanced understanding of intra-FBI linkages that the FBI Communication has fostered, which is one factor explaining the clear support for a new Communication. What is striking is the degree of consensus on at least some of the key changes that FBI players would like to have in a potential new policy document. FBI players want to see more focus on competitiveness issues, a greater sectoral dimension and more tangible action. Sustainability can also be identified in the continuing relevance of much of the FBI Communication's diagnosis of FBI challenges and recommended actions, with many FBI players considering that in the event of a new EU policy initiative this analysis would need only to be updated. Linked to the increased understanding of FBI players of the common features (and resource base) that they share are the strengthened consultation practices between FBI federations on issues of common concern.

The FBI Communication displays significant evidence of sustainable benefits in the area of European-level policy and dialogue structures, which can continue to exist independently of the Communication. Most of these institutional and dialogue and consultation structures bring the Commission and the FBI Federations together, and include the working groups within the Advisory Committee, the FBI Forum and the FBI Steering Group. Regarding the FBI Forum, the fact that the lead organisation role is now in the hands of the European FBI federations, led by CEPI, is further evidence of sustainable impact.

With regard to sustainable impact at a Member State level the experience of the last 5 years suggests that significant impact at national level cannot be achieved by a strategy that targets only the industry federations. One reason is capacity and resources. Substantial differences already exist between the European Federations in terms of the resources that they can bring to bear on any implementation effort. Secondly, national federations' mandates (and resources) vary as to the extent they are expected by members to focus on European policy issues, beyond more direct association services to members.

Involving national government administrations is likely to be a key requirement to increase the take-up on actions at a national level. Expansion of the target groups to include for example environmental interest groupings is another that can be considered, while greater direct communication between the Commission (resources permitting) and national actors (in particular FBI federations) is also likely to be valuable, such that national actors perceive a much more direct contact between European policy goals and actions and their own national FBI context.

Looking to the future, learning from the success and failures of the FBI Communication, and taking measures to strengthen and widen the target audience base, increase the sectoral dimension, and develop better planning and monitoring practices can already offer the prospects for a significant increase in the sustainable impacts generated by any future EC policy initiative towards the FBI.

**KEY MESSAGE 1**

The evaluation of the 1999 FBI Communication suggests that:

- ◆ The FBI Communication has helped 'put the FBI on the political map' at the EU level and has enhanced policy dialogue mechanisms;
- ◆ It has however not proved to be effective as a basis for policy action, nor in ensuring that FBI interests are taken sufficiently into account in other EU Policies, nor in significantly advancing the competitiveness of the FBI sectors.

### 1.3. THE NEED FOR A NEW FBI COMMUNICATION

#### 1.3.1. The Need for a New FBI Communication or Policy Initiative

As requested in the FBI Communication, the European Commission will report to the Council of Ministers and the European Parliament on progress made in respect of the FBI Communication. Based on the evaluation findings, there are a variety of factors that evidence a clear need for a new FBI policy initiative. Firstly, the evaluation survey programmes and country fieldwork have identified strong industry support for a new FBI Communication (see Text Box 'Key Message 2' below). There are other reasons and advantages and the Text Box below lists some of them.

**KEY MESSAGE 2**

FBI stakeholders clearly support a new Communication. The survey results showed an overwhelmingly majority of national federations in favour of a new initiative, with almost 80% of respondents being in favour and 50% considering a new Communication to be essential. No respondent considered that a new Communication would either be unnecessary nor a bad idea. The country fieldwork also confirmed strong support for a new Communication with remarkable consistency as to the pre-conditions for such support – a clearer sectoral focus, a focus on competitiveness issues, and a focus on action. In part the support for a new Communication can be seen as stemming from the widespread perception of under-achievement of the existing FBI Communication.

One such reason is that there is a real sense of unfinished business, in terms of the perceived under-achievement of the FBI Communication. For the EC, a sound new policy initiative pursued with vigour could do a lot to increase industry credibility and rebuild momentum. Moreover, industry stakeholders believe that EC policy is no longer aligned with the goals of the FBI Communication, insofar as environmental regulation is considered to have taken clear precedence over many other competitiveness concerns.

Reasons as to why a new FBI Communication is considered necessary therefore include:

- ◆ A general FBI industry interest in a new Communication (with some pre-conditions);
- ◆ A need to update thinking since 1999 and take account of the changed policy environment;
- ◆ A need to re-focus on the competitive issues that are relevant today;
- ◆ A sense of "unfinished business" with 1999 FBI Communication – need to 'clean out the cupboard and start afresh;'
- ◆ A need to address new issues and concerns that are relevant today (e.g. regulatory burden, status of Kyoto, etc.);
- ◆ An apparent across the board desire to put the lessons of the last 5 years to good use.

**KEY MESSAGE 3**

Based on the research findings, it is recommended that a new FBI Communication initiative is launched. A new FBI Communication should include:

- ◆ A primary focus around FBI competitiveness issues;
- ◆ A stronger sectoral focus (i.e. not just an FBI-level focus but also a focus on the component sectors – woodworking, pulp and paper, printing and paper and board covering and packing, and forestry);
- ◆ A real focus on concrete proposals with responsible actors, buy-in and effective monitoring of the actions.

## 1.4. A NEW FBI COMMUNICATION - RECOMMENDATIONS

### 1.4.1. A New FBI Communication – A Dual Strategy to Secure European Value-Added

In considering whether to launch a new FBI Communication or other policy initiative, DG Enterprise will ask itself if and how a new FBI Communication can deliver real *European Value Added*. We recommend 2 over-arching goals for a new FBI policy initiative:

**i. Promote FBI Competitiveness:** It is key that competitiveness considerations are at the core of a new FBI policy initiative. This involves:

- ◆ managing the existing regulatory framework within which the FBI sectors operate in order to identify and address issues which are deemed to constitute unreasonable or disproportionate constraints on FBI competitiveness (*a competitiveness monitoring role*);
- ◆ monitoring planned EU policy and legislative measures that could negatively impact FBI competitiveness and taking appropriate actions (*a gate keeping role*).

**ii. Promote and Leverage the FBI Sustainable Development ‘assets’ (key competitive strengths)**

The previous communication referred to sustainable development in one Action Area. Despite some acknowledgement of the sustainable development credentials inherent to some FBI products, one has the impression that the arguments are not always clearly articulated, and are under-marketed. In addition it seems that the FBI are fighting to combat negative image challenges and perceive EC environmental regulation with some apprehension. This needs to change.

We therefore recommend a second core strategic goal based on:

- ◆ Supporting the FBI in articulating the FBI’s sustainable development credentials with greater force;
- ◆ Supporting FBI industry efforts to promote the sustainable development credentials of FBI products.

Regarding this second core goal (to promote the sustainable development credentials of FBI products) we believe the FBI industry stakeholders should review the Commission’s Integrated Product Policy (IPP) Communication, with a view to assessing if this can be used in advancing its arguments to target market segments and to the wider public. The potential opportunity for FBI products can be gauged when one considers that, based on the product lifespan methodology that the Commission intends to use, a wood house would have *50% less* CO2 emissions than a stone & concrete house, while paper & board food packaging would cause *6 times less* CO2 emissions than metal food packaging (i.e. half of the emissions rate of glass and at any rate, fewer emissions than thermo-formed). Similarly, industrial wood packaging would account for *4.5 times less* CO2 emissions than plastic and even cardboard would be twice as environmentally efficient as plastics, while office electronic equipment considerations and the environmental costs of computers would open interesting considerations for the printing industry.

This second axe of the dual strategy for a new FBI Communication offers other advantages. For the FBI, it could offer significant potential in increasing the potential of the EU and industry’s efforts to nurture the

public image of the FBI (existing Action Area 6) to a more positive situation. European Value-Added is also ensured by virtue of the fact that it supports FBI by providing the right conditions, and allowing these 'sustainability-rich' sectors leverage different platforms and fora to show why they are 'best-of-class'<sup>3</sup>.

The promotion and leveraging of FBI sustainable development strengths, combined with the possible results of a vigorous pursuit of FBI competitiveness (first axe), in particular through driving up the quality of regulatory and legislative impact assessment and providing greater regulatory certainty, could - through a well-managed FBI Communication implementation effort - offer the prospect of significant results.

<b>KEY MESSAGE 4</b>
<p>It is recommended that a new FBI Communication adopts a core "2-horse strategy" build around:</p> <ul style="list-style-type: none"> <li>◆ The promotion of FBI Competitiveness;</li> <li>◆ The promotion and Leverage of FBI Sustainable Development 'assets'.</li> </ul>

#### **1.4.2. A New FBI Communication – Possible Issues**

Sections 4 and 5 of this report consider what are likely to be some of the issues arising in the future across the FBI Communication's Action Areas, and likely priority issues for consideration within the context of a new FBI Communication or other policy initiative. What's striking is that many of the issues raised are best described as horizontal issues, issues that can only be dealt with through existing (horizontal) EU policies and instruments. In other words, 30 – 40% of these issues are truly sector specific: this doesn't necessarily mean policy intervention is needed. In many cases, the first thing that is needed is more research and analysis – i.e. to understand more about what exactly is the problem, its causes, its effects, and of course, possible solutions.

A key point to emphasise is that these issues are based on feedback from stakeholders, in particular from industry. Industry stakeholder support is crucial for the success of any future FBI initiative. These issues should be seen as an indicative list to get the discussion and consultation process rolling.

#### **1.4.3. A New FBI Communication – Conceptual Underpinnings**

The application of the FBI cluster concept to the European policy-making level would seem to have been a mixed experience. The research findings show differing levels of buy-in to the FBI cluster concept, with some questioning of its appropriateness across sectors and countries. A more pragmatic and more flexible approach to the use of the FBI cluster label is recommended (with the base application being its use for EU Policy-making), and a clearer distinction between its use as a policy framework and a market-oriented label.

Further research and conceptual development work on the FBI concept is also recommended, including actions to quantify the costs and benefits of the FBI approach in Finland and other countries, and research and information gathering to increase understanding on the level and nature of FBI sector linkages in the various Member States. Another recommended action is to explore how the cluster concept could be further refined (for example, through the development of 3 sub-groups within the cluster – wood and wood-based products: pulp, paper, packaging and converting; and printing).

<sup>3</sup> It is however important to remember that the IPP Communication represents just one component to leverage of this wider strategy (i.e. it is just one of many means that could be considered in order to achieve the strategic goal of leveraging the FBI sustainable development assets). Should it not represent for the industry a significant possibility this does not negate the wider strategic goal of leveraging the FBI's sustainable development assets.

## 1.5. PROCESSES

### 1.5.1. The Need for More Effective Support Processes

Based on our review of the FBI Communication, we have identified some key factors that have, in our view, constrained its effectiveness, and which need to be addressed in any future EC policy initiative towards the FBI. These issues include:

- ◆ The need to strengthen the sectoral linkages between the Communication Action Areas and the concerns of FBI
- ◆ Work processes and structures insufficiently adapted to managing a Sectoral Communication;
- ◆ Stronger communication, planning and monitoring processes between the Commission and other Stakeholders

It should be emphasised that strengthening management and implementation support processes is almost as important as the content and focus of any new FBI Communication. Section 6 considers what would need to change in terms of management and delivery processes in order to ensure that the challenges experienced during 1999-2004 are minimised or avoided.

Some of the key recommendations relating to the development, communication, and implementation stages of a Communication 'life-cycle' are set out below, and include:

#### *i. Developing a New Communication*

- ◆ DG Enterprise should retain the successful focus on strong stakeholder consultation for a new Communication;
- ◆ National government should to be included as a stakeholder in the process;
- ◆ The *Advisory Committee on the FBI* should be used as a channel to secure national input as part of the consultation process, and to prepare the ground for further involvement in the dissemination and implementation phases.

#### *ii. Communicating and Disseminating a New Communication*

It is recommended that the process of disseminating the Communication should be significantly enhanced. Recommended actions to explore are:

- ◆ Meetings with DG ENTR senior management to build awareness and understanding of the Communication;
- ◆ Making available Sector-specific summaries of the Communication (online and offline);
- ◆ Developing thematic communiqués, e.g. the FBI Communication and Technological Innovation etc.;
- ◆ Meetings with an FBI Advisory Committee;
- ◆ Inter-service meetings and workshops across EC services whose activities are most relevant to the work of implementing the FBI Communication (e.g. DG Markt, DG TREN, DG ENV, DG AGRI, DG Research, DG RELEX, Eurostat, etc.);
- ◆ Develop new tools such as National Workshops, which could be hosted by local National Ministries or the FBI National Federations;
- ◆ Ensuring visible online availability of the Communication and the Various Messages on it (Sectoral, Thematic, Issue-Specific, National).

#### *iii. Implementing a New Communication*

- ◆ *Clear Action Planning:* It is vital that the Action Plan for any new Communication sets out clear responsibilities for each action (lead and support roles) and for choosing and planning actions;
- ◆ *Inter-Service FBI Task Force:* Set up an EC Intra-Services Task Force is set up to oversee implementation of the FBI Communication;
- ◆ *Monitoring:* Clear monitoring and reporting practices for both internal DG Enterprise monitoring and external reporting to all stakeholders.

#### *EC Working Practices*

- ◆ *Create an EC Inter-Service Relay Network:* This Network will serve as co-ordination and relay points for FBI matters in their respective services (tasks would include facilitating intra-DG contact, providing early alerts on new legislation with impact for FBI, etc.);
- ◆ *FBI Unit Organisation:* Seek to provide greater sectoral dimension in unit organisation, and review personnel resources available to the unit to address the lack of resources that has characterised the last 5 years.



*Policy Dialogue Mechanisms*

- ◆ Review the structure and format of the FBI Forum to provide a greater sectoral dimension;
- ◆ Integrate FBI Forum more closely in the life cycle of a new Communication (development, communication, and implementation).

**KEY MESSAGE 5**

In tandem with launching a new FBI Communication, it is recommended that:

- ◆ Stronger support processes are put in place that are better geared towards managing sectoral policy commitments in the EU's horizontal policy institutional framework;
- ◆ The FBI concept should be applied in a more variable manner, and actions taken to develop and refine the concept and its potential applications.

## 2. INTRODUCTION AND BACKGROUND

### 2.1. INTRODUCTION

This document constitutes the Draft Final Report for the evaluation by The European Evaluation Consortium (TEEC) of the 1999 'Communication on the State of Competitiveness of the EU Forest-Based and Related Industries.' The report describes the findings of the research made during the last 7 months, and presents the findings of this research work. The document is structured as follows:

#### **SECTION 1 – EXECUTIVE SUMMARY** (Previous Section)

- ◆ Provides an *Executive Summary* of the Evaluation Findings.

#### **SECTION 2 – INTRODUCTION AND BACKGROUND** (This Section)

- ◆ Provides a short overview of the FBI Communication and the Forest-Based Industries (FBI);
- ◆ Sets out the Objectives and Scope of the Evaluation as set out in the Terms of Reference;
- ◆ Provides an overview of the Evaluation work programme.

#### **SECTION 3 – THE FBI Communication EVALUATED**

- ◆ Sets out the evaluation findings on the 1999 FBI Communication against the 5 *evaluation parameters*: Relevance, Efficiency, Effectiveness, Utility and Sustainability.

#### **SECTION 4 – PROGRESS REVIEW BY THEMATIC AREA**

- ◆ Provides a summary review<sup>4</sup>, for each of the 6 Action Areas of the FBI Communication in terms of: i) Progress made in each Action Area, ii) Feedback from the stakeholders consulted during the evaluation, and iii) Future policy issues emerging in each of these areas.<sup>5</sup>

#### **SECTION 5- REVIEW OF THE NEED FOR A NEW POLICY INITIATIVE**

- ◆ Covers the need for a new FBI Communication and provides the possible Objectives and Scope of a New Initiative

#### **SECTION 6 – CONCLUSIONS AND RECOMMENDATIONS**

Includes recommendations for a new FBI Communication as well as recommendations on processes for managing and implementing a new FBI Communication.

### 2.2. THE 1999 FBI COMMUNICATION – OVERVIEW

The FBI Communication on "The State of the Competitiveness of the EU Forest-Based and Related Industries" marked an important milestone in the elaboration of the EC approach to this sector. It represents an attempt to adopt one single structured approach to the numerous challenges these industries were facing. The Communication was adopted by the European Commission in October 1999, and reviewed by the Council of Ministers in November 1999.<sup>1</sup>

Six key challenges and *Action Areas* were identified in the FBI Communication.

- ◆ The growing impact of globalisation;
- ◆ The enlargement of the EU;
- ◆ The increased sensitivity towards sustainable development, environment and energy;
- ◆ The accelerated technological evolution and its implications for human resources;
- ◆ The evolving international and EU regulatory and economic framework;
- ◆ The growing importance of communicating a good image to society

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<sup>4</sup> These Reviews are the Thematic Reports referred to in the Inception Report.

<sup>5</sup> This section also provides answers to the specific questions in the evaluation mandate (List B of Evaluation Questions referred to in the Inception Report)

<sup>1</sup> Adopted by the Commission in October 1999 (COM (1999) 457 Final), see also the conclusions of the Council of Ministers in November 1999 (2214th Council Meeting of 9.11.1999) and the European Parliament Resolution from January 2001 (A5-0384/2000 Final)

In a broad sense the Communication was directed towards the Council, the European Parliament, Ecosoc, the Committee of the Regions, and various European Federations and associations representing the forest-based industries.

The publication of the Communication was preceded by an extensive process of research and information gathering on the forest-based industries and by consultation with representatives of these industries. A series of studies examining the competitive position of the FBI were commissioned by DG Enterprise. Across the 6 Action Areas, a total of 35 Actions were set out. In all, the FBI Communication was a relatively short document.

In the Communication the Commission undertook to report periodically to the Council, the European Parliament, The Economic and Social Committee and the Committee of the Regions on the evolution of the initiative.

## 2.3. THE EVALUATION – OVERVIEW

### 2.3.1. Objectives and scope of the evaluation

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Four years after publication the Communication, the European Commission has decided to examine the extent to which the FBI Communication addresses the current state of affairs of, and challenges faced by, the European FBI.

The aim of the present evaluation is to analyse the relevance, efficiency, effectiveness, utility and sustainability of the Communication in order to establish whether the FBI Communication is still relevant regarding current challenges that the industry is facing.

The objectives of the evaluation, as set out in the Terms of Reference, are twofold:

- i) Provide an analysis of the reasons behind the successful and unsuccessful outcomes within key action areas of defined in the Communication;
- ii) Provide key input to establish objectives and actions for the industries, taking into account relevant developments especially in relation to the EU policy statements on industrial policy and to the changed general framework and market conditions in the EU FBI.

The Key Evaluation Tasks as described in the Terms of Reference are:

- ◆ *“Identification and analysis of impact of actions developed in order to tackle the different challenges. Examination and state of implementation including developments over time since the communication was adopted.*
- ◆ *Identification of the organisations best placed (National federations and administrations, companies, research organisations ...) to help achieve the actions proposed and evaluate to what extent these organisations have adopted them. In this perspective it is important to look at how these organisations adapted their methods and/or structure.*
- ◆ *The evaluator will verify whether circumstances have evolved such that the challenges identified in the Communication remain the same, or, if not, in what ways they have changed or evolved.*
- ◆ *In light of the findings of the evaluation, the evaluator shall recommend how industrial policy for this sector can best move forward to reach the twin targets of sustainable development and global competitiveness. The evaluator shall also identify concrete steps as appropriate”.*

A description of the specific objectives and evaluation tasks can be found in the extract from the Terms of Reference in Volume III (Annexes) of this Report.

## 2.4. OVERVIEW OF METHODOLOGY

### 2.4.1. The Activities Undertaken

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This section provides a summary description of the 3 stages of the evaluation work programme, and the key activities undertaken within each phase.

The evaluation has been overseen by an *EC Steering Group*, comprising representatives of DG Enterprise and other Directorates General and Services of the European Commission for whom the evaluation's focus has relevance. An *Industry Focus Group* was also set up to help ensure that the evaluation obtained a strong input from the FBI industries. The Focus Group (comprised of representatives of the principal European FBI Industry Federations: CEI-Bois, CEPF, CEPI, CITPA, INTERGRAF) has also been regularly consulted throughout the evaluation, and has provided feedback on interim evaluation reports developed during the last 9 months.

The evaluation work was conducted in 3 stages:

- ◆ **Stage 1 – Briefing, Desk Research & Preparation:** The evaluation formally began in December 2003 with the presentation of the evaluation work programme, a discussion on the objectives of the evaluation, and an introduction to the role of the FBI unit. This inception stage took place over the first month of the evaluation and was centred around three main activities:
  - ◆ Desk research, literature review and the preparation of sector studies;
  - ◆ Development of a draft list of candidates for interviewing;
  - ◆ Development of the overall evaluation approach and work programme.
  - ◆ These elements were presented in the Inception report, which was submitted to DG Enterprise at the end of January 2004.

- ◆ **Stage 2 – Fieldwork & Interim Reporting:** The second stage began in February 2004 and the key tasks included:
  - ◆ Face-to-face interviews in Brussels;
  - ◆ Development, launch and collection of the survey questionnaire;
  - ◆ Telephone interview set-up and implementation;
  - ◆ Analysis of results of both the questionnaire and the telephone interviews;
  - ◆ Part 1 of the Country Visit Programme (Italy, Germany and the UK).

Focus and Steering Group meetings were held in Brussels on February 25<sup>th</sup> and February 26<sup>th</sup>. During this meeting TEEC presented the evaluation, met the Focus Group, incorporated feedback on the inception report and discussed issues relating to Stage 2 of the work programme. Other focus and Steering Group meetings were held in Brussels on June 22<sup>nd</sup> to discuss the Interim report.

- ◆ **Stage 3 – Final Analysis & Reporting:** The third stage began in June 2004 and was devoted mainly to the completion of the Country Visit Programme and the development of the Thematic papers, focusing on each of the 6 action areas included in the Communication. Specific key tasks in this phase included:
  - ◆ Part 2 of the Country Visit Programme (additional meetings in Germany and missions to Finland, Sweden and the Czech Republic);
  - ◆ Preparation of Thematic papers;
  - ◆ Revised analysis of the EU level questionnaire, taking account of an additional questionnaire sent after the interim report;
  - ◆ Final analysis, conclusions and recommendations and development of the Draft Final Report
  - ◆ Steering Group and Focus Group meetings on August 31<sup>st</sup> and soliciting feedback on the Draft Final Report
  - ◆ Preparation of the Final Report

### 2.4.2. The Evaluation Tools

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A number of different evaluation tools were used during the course of the evaluation work:

- ◆ **Face-to-face interviews in Brussels:** The Evaluation team conducted face-to-face interviews in Brussels with DG Enterprise Staff and with various members of the evaluation Focus Group: CEI-BOIS, CEPF, CEPI, CITPA and INTERGRAF. The meetings were held to discuss their opinions on the development and implementation of the Communication and the key issues facing FBI today.

- ◆ **Questionnaire Survey Programme:** As established in the evaluation approach, the Survey Questionnaire was sent to sample of 70-100 individuals, with a response target of 30. The evaluation team worked in cooperation with the FBI unit and the Evaluation Focus Group to set the questionnaire in motion. The FBI Unit prepared a letter of introduction that was sent with the questionnaire in order to add credibility to the exercise and assure the authenticity of the Communication. The Evaluation Focus Group provided lists of their contacts within the industry associations and other stakeholders.

The Survey Questionnaire contained 3 sections:

1. The Communication and Sector Competitiveness;
2. Implementation of the Communication - Recommendations and Initiatives;
3. The Communication as a Policy Instrument

The questionnaire was sent out in March to 59 industry associations and federations in all EU Member States and in the majority of the NMS. Thanks to efforts made by the members of the Focus Group many associations were already aware that the questionnaire would be coming. In April, the questionnaire was sent off to the remaining 27 EU level federations.

All efforts were devoted to make sure to receive the highest number of completed questionnaires. This included at least one reminder email to all recipients and a series of soliciting calls as well. In addition, the members of the Focus Group contacted its national members to try and solicit the questionnaire from that level. A total of 32 completed questionnaires were received.

TEEC would like to thank the European federations and national federations that took the time to complete the Survey Questionnaire, and in particular the FBI Federations for their support in encouraging national members to return a completed questionnaire.

- ◆ **Telephone Interviews Programme:** The telephone interview process took place in April and May. Each conversation took approximately 20 – 30 minutes and the discussions were based around the 6 action areas of the Communication, competitiveness trends and priorities in FBI and the potential role of EC policy-making instruments. A total of 21 telephone interviews took place with entities from the following Member States - Austria, Belgium, Czech Republic, Estonia, Denmark, France, Hungary, Latvia, Portugal, Spain, Sweden, UK, and the Netherlands. Individual reports were prepared on each conversation.
- ◆ **The Country Visit Programme:** Members of the TEEC team carried out field visits to 6 countries between April and June 2004. These countries were Finland, Germany, Italy, the United Kingdom, Sweden and the Czech Republic. A total of 8 – 12 interviews were held with FBI stakeholders in each country and included representatives of FBI associations, government bodies, companies, NGOs, research institutions and promotional councils.

## 3. THE 1999 FBI COMMUNICATION EVALUATED

### 3.1. EVALUATION OF THE 1999 FBI COMMUNICATION

#### Introduction

This section provides answers to the individual questions set out in the evaluation work programme in respect of the 5 *Evaluation Parameters* (Relevance, Efficiency, Effectiveness, Utility, and Sustainability). These questions correspond to the draft list set out in the Terms of Reference, and the finalised list set out in TEEC's Inception Report.<sup>6</sup> The second set of Evaluation Questions, relating to each of the specific Action Areas of the FBI Communication, is answered in Section 4 in each of the Progress Reviews of the FBI Communication's Action Areas.

#### 3.1.1. RELEVANCE (Evaluation Parameter 1)

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##### 1. Do you think that the categorisation as a forest-based industry adequately represents your sector?

The EU-wide industry federations tend to have some reservations about the validity of the categorisation, but have a pragmatic approach and see a clear value in the increased political visibility and leverage available through having a common FBI platform. In terms of sector variations, the printing and packaging sectors tend to show most doubt as to the use of the FBI label. This doubt has a clear business rationale – for example the printing industry has found that emphasising its industry as a player in communications activity has more positive connotations than using an FBI-centred description, where the industry encounters some negative reaction related to the FBI's image challenges.

The level of identification with the categorisation of the FBI shows significant variation across sectors and countries. In Finland, for example, there are high levels of identification with the FBI categorisation, which is not surprising, given the origin of the FBI cluster concept in Finland. Among the countries where fieldwork was undertaken, identification was probably lowest in Italy, where many actors question the validity of the concept in the Italian context. In Germany strongest scepticism exists among the paper converting sector regarding the relevance of the FBI cluster, where it was thought that the FBI cluster concept made least sense in terms of the low linkages between paper converting and the woodworking and forestry sectors. In contrast, a concept that focussed more on the paper converting sector's linkages with the paper and printing sectors was considered to hold greater appeal and relevance. In Italy, scepticism about the FBI cluster concept also related in part to the low level of perceived linkages between the paper industry and woodworking industry, with some interviewees considering these sectors as 'largely irrelevant to each other'.

##### 2. Please rate the analysis of the competitiveness factors of the EU FB included in the Communication.

Overall, the assessment of the Competitiveness factors has been perceived to be relatively accurate. The survey findings showed a fairly positive assessment by national federations, with moderate satisfaction in particularly being shown by board converters and printers' representatives, some issues important to them (e.g. the postal service) were not included. Others complain of insufficient in-depth analysis of links with furniture and of the complex supply market for the panel industry (including recycled wood material).

##### 3. What do you think of the specific analysis for the six selected action areas?

There is a general perception that the analysis of the Action Areas was relatively accurate, but perceived as less relevant by the fact that it was aggregated at FBI level and not specific to each individual sector. Notwithstanding that different national contexts and individual FBI sectors would emphasise somewhat differing aspects of the FBI analysis, the general consensus was that for an FBI level the diagnosis was sound, and that practically all of the key issues had been identified. This is reflected in the general message from the survey and other fieldwork that the FBI Communication's analysis remains highly relevant in 2004.

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<sup>6</sup> Referred to in the Inception Report as Evaluation 'List A'

#### 4. Does the Communication identify all of the relevant key challenges facing your sector?

At a global level, the feedback from the survey programme suggests that many industry federations, both EU and national, consider that the FBI Communication did not cover a significant number of policy needs, with respondents regularly considering that 40% and more of policy needs were not covered. Even if one lowers this figure to allow for any possible misunderstanding as to where the EC has competence to take action, this would leave significant scope for additional coverage. There is also likely to have been some tendency among survey respondents to evaluate the FBI Communication's coverage from the perspective of their perceived policy needs in 2004 and not from 1999 (when a significant number of respondents were not involved in the development and consultation process of the FBI Communication).

#### 5. Are there any other challenges or issues facing the industry that you consider to be of equal importance?

Beyond specific new issues raised by stakeholders, there is a perception that the competitive needs of business were not sufficiently addressed. This is particularly the situation in the pulp and paper sector.

The country fieldwork has identified a number of areas where TEEC have solicited the perspective of FBI players as to what policy issues they would like to see addressed. Some of these represent continuations of existing recommendations, others are new. The table below is an overview of areas from the country fieldwork where the EU is requested to intervene. The Thematic Reports in the following section also review progress and in particular new issues across the existing Action Areas.

**Policy Issues Where Demand Exists for the EU to Take Action:  
Feedback from Selected Member States**

Country	Areas Where the EU is Requested to Intervene
Finland	<ul style="list-style-type: none"> <li>• Continuation and improvement of FBI forums</li> <li>• Creation of a research platform for technology</li> <li>• Control of new EU legislation affecting FBI</li> <li>• Promotion of wood as unique form of sustainable development</li> <li>• Harmonisation of building norms for wood products.</li> </ul>
Germany	<ul style="list-style-type: none"> <li>◆ Harmonisation of EU environment legislation</li> <li>◆ Better co-ordination and coherence in the development of EU legislation,</li> <li>◆ Better impact assessment prior to preparing legislative proposals,</li> <li>◆ Support for companies seeking to access third country markets</li> <li>◆ Work to remove market distortions and create a level playing field</li> <li>◆ Increased focus on competitiveness issues, and better centralisation, and co-ordination, of policy-making for the FBI cluster and forestry sector</li> </ul>
Italy	<ul style="list-style-type: none"> <li>• National waste management schemes</li> <li>• Regulation of e-commerce (perhaps through voluntary standards)</li> </ul>
Sweden	<ul style="list-style-type: none"> <li>◆ Harmonisation of standards (especially regarding wood products and building components)</li> <li>◆ Support for FBI-related research</li> </ul>
UK	<ul style="list-style-type: none"> <li>◆ Promotion of the opportunities available in the single market</li> <li>◆ The creation of a research platform for technology</li> <li>◆ Promotion of ways the FBI can work together as a common industry and improved cooperation between Member States</li> <li>◆ New EU legislation in favour of wood on the grounds of its positive environmental performance.</li> </ul>

#### 6. What level of importance do you or your sector attach to the 6 Challenges / Action areas identified in the Communication for the three time periods i.) 1999; ii.) now; and iii.) In the next five years?

The survey feedback from national FBI federations suggest that the NMS accession has been perceived as a relatively low priority in terms of competitiveness factors, lower than the ranking given by the EU Federations. For practically all other areas, there are notable variations in the importance attached to the different action areas across industries and geographical areas and over time. For example, the high and growing priority is given to environmental and energy issues and the regulatory environment, with this being primarily the result of the high importance attached to these issues by the pulp and paper industry

(and the European FBI Federations). The printing industry is primarily concerned with market demand, developments in advertising expenditure and overcapacity issues.

The importance given to the industry image within society is growing from a very low position. Some national associations, especially in the woodworking sector, are ready to consider this competitiveness factor as #1 over the next five years. The views of the pulp and paper appear somewhat more sceptical and below the average. The variation in the importance attached to technological innovation in the European FBI is noteworthy, with no clear industry-related or geographical pattern. Responses vary quite randomly from top importance to the lowest importance, with an overall slightly decreasing trend.

#### **7. Do you find the recommendations set out in the Communication relevant for your industry needs at that time?**

The relevance of the recommendations for industry stakeholders has been reported as highly, due in significant part of the preparatory research of the European Commission that preceded the development of the FBI Communication. However, industry stakeholders would clearly prefer (at least in 2004) that the recommendations be developed at a sector-specific level, and not just at an aggregated FBI level.

This perception of relevance can be seen as very important in creating the right impression from the outset, and it would be important to retain this lesson for any future EU policy initiative. The perceived 'relevance deficit' in the existing FBI Communication can be in part seen in part by the fact that some of the EU FBI federations (e.g. the European printing Federation INTERGRAF) developed their own documents on the FBI Communication, explaining to their national member federations what the Communication meant for their sector.

#### **8. Can you identify ways in which the needs of the industry have changed since 1999? If so, how?**

The survey findings show clear expectations as to some changes of emphasis in a new Communication in order to better address industry needs. Respondents have attached considerable importance to the Communication being a clearly focused strategy document, with a clear implementation plan (However, some doubt this is possible in such inhomogeneous sectors). Some respondents indicated the need to clearly differentiate between FBI sectors and to extend the analysis to worldwide comparisons, as their sectors compete in the world market (but some in the printing industry want exactly the opposite and a more clear focus on the domestic markets) and to pay attention to the different situation of the stakeholders. Other suggestions included a strategy to reduce the EU legislative burden on the sector and a communication plan on the Communication itself.

### **3.1.2. EFFICIENCY (Evaluation Parameter 2)**

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#### ***Implementing the Communication – Activities, Actors, Monitoring, Challenges***

##### **1. Was your organisation involved/consulted during the drafting of the FBI Communication?**

The evaluation research suggests a generally high level of satisfaction with the consultation undertaken by the Commission. While the survey showed that a significant number of national federation respondents did not know whether they had been consulted, this is in part due to the fact that 5 years have passed and many individuals have moved on to new professional roles. National federations generally considered that consultation by the European Commission with their EU representative federations was sufficient, and the EU Federations themselves generally expressed satisfaction with the consultation process. In Finland, feedback from FBI stakeholders considered that the development process was clearly the most successful stage of the FBI Communication and the Commission's consultation of industry was highly regarded.

##### **2. For each of the recommendations / actions, please indicate the type of action undertaken in your sector and the lead actor involved in initiating this action (where you are aware of this).**



Most FBI actors at the national level had no awareness of any actions taken in their Member State that was linked to the specific actions of the FBI Communication. Even where initiatives in a policy or action area did exist, they tended not to be aware of the recommendations in the FBI Communication and doubted very much that it played any role in triggering such actions. While this feedback is a good indicator of the level of impact of the FBI Communication at national level, it does not provide the complete picture either. For example, during the last year a number of decentralised seminars have taken place around communication and promoting the FBI sectors towards young persons, and these actions are directly linked to the FBI Communication. Another example is the PHARE-supported Business Support Programme that has taken place in the New Member States.

The European Federations show awareness of actions taken by the European Commission, as well as their national member federations. There is a general assessment of progress as being medium in terms of actioning the recommendations set out in the Enlargement Action Area, with the FBI Communication being considered to have exerted some influence in securing this progress. Regarding progress on Image-related actions (Action Area 6), the European federations assess progress at medium to good, with the FBI Communication being considered to have played a medium to significant level of influence.

**3. Type of Actions Initiated: In your field, which type of action has been the most commonly used in implementing the recommendations of the Communication:** [Information dissemination & awareness raising/ marketing, PR, educational campaigns/ training / consultation processes /research / benchmarking / financial incentives & disincentives (e.g. new tax), sharing of best practices, new or amended legislation, other]

Based on the research undertaken, the types of action vary to some extent between the action areas. For example, the actions related to *Communicating a Positive Image* have tended to be centred on research, consultation, information dissemination and awareness-raising, and marketing and educational campaigns. In the area of environment, sustainable development and energy research and consultation have featured, but new legislation has played a significant role has exercised an important role (however, most of this legislation has not been connected to the implementation of the Communication, rather more part of EU environment policy).

**4. How important, in your opinion, was the Communication in enabling these actions/initiatives to be launched?**

There are some actions at EU level that can be clearly attributed to the Communication. Examples include the launch of the FBI Forum, decentralised information and promotion seminars related to communication and promoting the FBI sectors towards young persons, and the Business Support Programme for FBI institution-building in the New Member States. All of these actions are directly linked to the FBI Communication. There are other areas where the FBI Communication is likely to have played at least an indirect role, such as in the development of a number of EU-supported RTD projects.

These actions tend however to be the exception insofar as actions at national level are concerned. At national level respondents generally were very dubious as to whether the FBI Communication had played any significant role in triggering action, with most considering that the Communication had exercised little to no influence in this regard. At European level, the impact of the Communication was more pronounced, with European industry federations considering that the Communication had exercised some influence, and in the case of Action Area 6 (Communicating a Positive Image) had exercised an important influence.

**5. Efficiency of Actions: Which type of action has proven, in your opinion, to be the most efficient (in terms of resources employed in proportion to activity undertaken)?** [Information dissemination & awareness raising/ marketing, PR, educational campaigns/ training / consultation processes /research / benchmarking / financial incentives & disincentives (e.g. new tax), sharing of best practices, new or amended legislation, other]

It is difficult to say conclusively which actions have proved more effective for a variety of reasons, in particular the low level of implementation of the Communication's recommendations and the widely assessed lack of impact in triggering actions at national level. At the EU level, certain research initiatives, such as the DG Enterprise Perceptions Study have proved to be useful in understanding the scale and nature of the image problem. Similarly, research and consultation measures have been of some value in at least launching actions in the area of Climate change. Overall, if any type of action has proved to be more efficient, it might be consultation measures.

**6. Actors Involved: To the best of your knowledge, which actors have, in your opinion, been the most active/efficient in implementing the recommendations of the Communication in their respective fields?** [EU institutions / National Governments / EU Associations / National Associations / Individual Companies / Other bodies]

Generally, the actions undertaken have been primarily by the Commission and to some extent by the EU Federations. National governments do not appear to have been active in implementing the recommendations, with this likely to be explained in significant part by the lack of communication on the FBI Communication towards national governments, as well as the lack of an official implementation plan and a sustained effort to solicit their involvement. In terms of any future FBI policy initiative that would involve implementation at a national level, the feedback from the Czech Republic suggested that involvement of the relevant government organisations would be critical for efficient implementation.

**7. Monitoring of progress: Were practices put in place in your organisation to monitor the level of implementation of the actions/recommendations of the Communication? If so, please indicate which types of practices were used:** [meetings / periodic activity reports / internal evaluations / external evaluations / survey's end-user/beneficiary / Other (please specify)]

The research suggests that systematic ongoing monitoring was almost completely absent across the different stakeholders. The lack of a clear assignment of responsibilities to each of the Communication's recommended actions seems to be one of the main reasons for some confusion during the implementation of the Communication. No internal or external interim evaluations were used to assess progress made in implementing the FBI Communication's actions. With regard to the FBI federations periodic reports were sometimes used by some federations to track industry progress on certain issues.

**8. Work Organisation & Practices:** [For Representative Bodies Only e.g.; European or National industry federations] **Did implementing the recommendations of the Communication require you in any way to change your existing organisation or work structures/work practices?**

The research findings suggest that some change in work structures and practices occurred as a result of the FBI Communication. The European Federations did make changes in some of their lobbying and consultation practices, for example co-ordination and consultation among the federations became more frequent. For example, the FBI Communication can be seen as having led to an increased interaction and cooperation between CEPI and CITPA, with the latter in particular emphasising the benefits of this for the development of its capacity to represent effectively CITPA's members. The FBI Steering Group, where the European FBI Federations meet on a regular basis with the European Commission, is another example of impact on working practices.

The increased intensity of consultation and interaction between the European Commission and the representative FBI industry federations that characterised the Communication's development process has therefore continued, with regular FBI steering group meetings now organised between DG Enterprise and the principal European FBI federations. The FBI Forum has also required significant co-ordination between the European Commission and the industry federations, and its organisation has also impacted significantly on the workload of the Commission and federations. CEPI has invested greatest effort in managing the co-ordination between the European FBI federations and has led the FBI federations' input into the organisation of the FBI Forum, is possibly the best example of how the FBI Communication has impacted on work organisation and practices.

**9. Implementation Challenges: What were the main challenges encountered in implementing the recommendations of the Communication?**<sup>7</sup>

The challenges encountered during the last 5 years start with the fact that the Communication was insufficient on its own as a basis for action, with the recommendations needing to be refined to be specific for the various FBI Sectors. Other constraints would appear to have been lack of resources, and a clear strategy at the EC vis-à-vis the FBI sectors, as well as solid planning, communication and monitoring practices around the FBI Communication.

Other factors include not having engaged national actors, in particular Government, on the Communication and solicited their input, perspective and involvement. As regards the European

<sup>7</sup> This is basically the same as asking what can be learned from the successes and failures experienced since 1999 in implementing the Communication's Recommendations?

Federations, it would appear that sometimes certain federations have struggled to retain member federations' interest in EU-level policy issues in the face of what were perceived by national federations as more pressing national and member company priorities. Regarding the European Commission, important challenges that DG Enterprise has faced have been building up the awareness level of the FBI Communication across the Commission services and working on implementing actions through other Directorates-General where DG Enterprise does not have the competence to act on its own.

**10. Implementation Challenges: Were any of the factors outlined below important in explaining under-achievement/non-achievement of actions proposed by the Communication?** [Lack of Interest among FBI Companies / No (legal) compulsion to adopt measures / Recommendation not relevant for my sector/country / Recommendations were too vague to action / Lack of time among companies' management / Lack of resources (e.g. financial /other) / Other issues were higher priority / Resistance among end-beneficiaries to changes / Increased Costs for companies to adopt / Other\* (Please specify)]

Of the factors listed above, key factors most relevant in explaining the under-achievement were insufficient relevance of recommendations to sectoral expectations, and the recommendations being too vague. Resources would also have appeared to be an issue for some FBI federations, as well as for DG Enterprise. However, not having a clear action plan to interpret and bring greater clarity and precision to many of the Communication's recommendations – and agreement as to which stakeholder would take responsibility for implementation – have been key factors in explaining under-achievement.

Regarding the European Commission, the stakeholders have also struggled with the fact that other Commission DGs, such as DG Environment, already had their own plans and work programmes, which were horizontal in nature and where FBI concerns could not be expected to be a top priority.

**11. Implementation Challenges: Where were challenges/ problems encountered in the implementation of the Communication recommendations and what was typically the outcome?**

One important challenge has been the vague nature of many of the FBI Communication's recommended actions, with little quantification of goals, progress metrics and the timeframe during which these goals were to be achieved. Some of the actions represent a list of activities without clear specification as to what the end goal is. Even more important is the fact that the Communication did not specify clear responsibility for the various actions to the different stakeholders targeted by the Communication. Chapter 4 considers further the formulation of the actions for each of the 6 Action Areas.

The second part of the first action under the first Action Area (Globalisation) - "*Encourage the EU-FBI-IND to adapt and restructure using market-driven mechanisms and improve the availability of funding*" – provides an example of the relatively vague nature of many of the FBI Communication's recommended actions. No clear type of funding is specified (bank loan financing, private equity etc.?), nor the target type of companies (large corporate organisations, medium-sized or micro-companies?), nor the purpose of such funding (funding growth, acquisitions, short-term treasury facilities?). Neither is there any specification as to whether public/government organisations are expected to be involved or whether private industry and market forces should provide the solutions. Indeed, there is no clear reference to any research that demonstrates a specific need for a particular type of financing.

As mentioned above, key factors in explaining under-achievement included: insufficient relevance of recommendations to sectoral expectations, the lack of a clear action plan to interpret and bring greater clarity and precision to many of the Communication's recommendations, and lack of clarity as to which stakeholder would take responsibility for implementation.

**12. Would you have felt the need for a supporting instrument different/stronger than the Communication?**

One could argue that a formal Action Plan might have been more effective; however Commission experience with sectoral Action Plans may indicate that action plans can also struggle against expectations set too high, and the challenges of securing sector results through a policy framework that is predominantly horizontal in nature<sup>8</sup>. The lack of binding force of a Communication would not appear to be the real issue – for many industry stakeholders the perception is of a European Commission that relies

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<sup>8</sup> This is discussed further later in the report.

too much already on legislation for policy-making, particularly in the area of environmental policy development. It is debatable whether an Action Plan would have been more successful. Already, a requirement in the Communication to provide an official (or internal) progress report at more regularly defined intervals (e.g. yearly) to at least the core stakeholders might have placed an increase onus all to ensure take-up on recommendations.

### **3.1.3. EFFECTIVENESS (Evaluation Parameter 3)**

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#### ***Implementing the Communication – Outputs and Results***

##### **1. Before receiving it were you familiar with the FBI Communication?**

Familiarity with Communication was, not surprisingly, relatively high with the EU FBI federations. On the contrary, familiarity was found to be extremely low at the national level, with almost 75% of survey respondents from national FBI federations reporting little or no knowledge. One should not immediately presume this has been a failure of communication and publicising the Communication, as the elapse of time and the lack of action will likely have decreased the awareness, and perceived relevance, of the FBI Communication among stakeholders. The picture was however more nuanced in Finland, where interviewees in contact with the European FBI industry federations and the government FBI unit were familiar with the Communication and were highly appreciate of it as a tool to promote industry and awareness of the FBI at an EU level.

##### **2. How do you assess familiarity with the Communication in your work environment?**

As mentioned above, familiarity with the FBI Communication was found to be extremely low to non-existent at the national level. Based on the research, some issues such as language have reduced the visibility of the Communication (for example not having it available in Italian). A related factor has of course been that the Communication considers FBI sector challenges only at the FBI level, while in some countries the concept of these sectors as representing a cluster is not part of their industrial tradition.

This is a clear area of possible improvement in any repeat of a similar initiative, with a need for more resources to be dedicated to communicating about any new policy initiative. For example, numerous interviewees in Italy stated that they would welcome a visit from EC officials to discuss and exchange perspectives on European and Italian FBI policy goals and challenges.

##### **3. Key Achievements in My Sector & Role of Communication:**

- i. What have been the key results/achievements in your sector during the last 5 years (since 1999)?**
- ii. To what extent has the FBI Communication played a role, be it direct or indirect, in providing impetus for bringing about these changes since 1999?**

The survey findings showed that the Communication is mainly perceived by national federations as having had some influence in the internal EU policy making process and in defining the EC agenda (instances include work to enhance awareness about FBI-related EU policies in the NMS, make sure EU policies are evaluated, monitored and implemented properly, enhance co-operation with international bodies) and has somehow fostered action in improving recycling and supporting sustainable forest management, as well as in spurring the FBI in focusing on the perspectives created by the Kyoto carbon sink mechanism. However, the highest perceived effectiveness is related to the image and communication issues.

##### **4. Assessing Implementation of each Recommendation: Please indicate for each of the 39 recommendations the level of progress made in implementing the recommendation.**

The survey findings showed that the national FBI federations in general perceive that little progress has been made. Only for 2 of the 35 recommendations (improving FBI environmental and energy performance and, creation of the FBI Forum) was progress ranked at significantly better than medium, with progress assessed to be medium for approximately 15% of the recommendations. Again, the most favourable assessment came for actions in the image and communications area (Action Area 6).

The feedback from the country fieldwork and telephone interview programme has supported this feedback, with the vast majority of interviewees struggling to find one example of where clear progress had been made in respect of one of the recommendations, and where they thought that the Communication may have played a role. The European Federations, while having a somewhat more positive perspective, also identified few instances where progress on recommendations was medium or better.

#### **5. Explaining Success: Where the Communication has been successful, what are the reasons for success?**

The Communication would appear to have been most successful in increasing general awareness and visibility of the FBI cluster, at least at the EU level. A second area where some success has been recorded is the establishment of policy dialogue mechanisms such as the FBI Forum.

With regard to the various Action Areas, most success would appear thus far to have been recorded in the area of communicating a positive image to society. Reasons in explaining greater success here are likely to include the fact that no legislation was required (which involved a complex development process and longer time horizon), there was a relatively strong consensus on image being a major issue across the FBI. Another factor that we consider instrumental was that this 'policy area' was driven by DG Enterprise and was not dependent on initiative from other Directorate Generals.

#### **6. Explaining Non-Success: Where the Communication has not been successful, what are the reasons for the lack of success?**

Reasons in explaining lack of success include systemic factors such as vague recommendations in the Communication, and no action plan being brought into existence. Insufficient resources, both in terms of staffing and finance, may have also been a factor. Management and work processes within the EC would appear to have contributed to under-achievement, in particular with respect to insufficient co-ordination across DGs to ensure that FBI concerns were adequately taken into account in other policy areas such as environment. In part, this is a complex issue of how to achieve sectoral goals in the EC where horizontal instruments drive industrial policy.

Another reason would appear to be insufficient leadership in engaging national actors into the process during the implementation phase. As suggested above, the fact that DG Enterprise need initiative in other services to implement recommendations would appear to have been a major factor.

### **3.1.4. UTILITY (Evaluation Parameter 4)**

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#### ***The Communication - Value Created***

- 1. Overall, please summarize the value of the Communication according to the choices listed below and then in your own words.** [Catalyst for identifying challenges facing my industry / Catalyst for gaining broad consensus on challenges facing my industry / Catalyst for identifying/setting out actions to address challenges facing my industry / Facilitator of exchange of information at European level on industry matters / Facilitator of benchmarking and sharing of best practices at European Level / Provider of an overview of broad goals of FBI Sector, a way of "keeping score" / Other\*]

The research findings suggest that the Communication is perceived to have had value in helping identifying challenges facing the FBI sectors, and in identifying actions to address challenges (but not in securing implementation of actions). A key utility of the Communication is having helped industry players understand the linkages between sectors. While it has set out broad, if rather imprecise, goals in the form of recommendations, it has not proved to be of value in helping to monitor and 'keep score.'

The operational efficiency of the Communication is seen as reasonably high in influencing DG Enterprise and the EU Federation activities, with a more 'medium' level of operation efficiency perceived in respect to the Communication's influencing policy in other areas of the EC. It is much lower at the national level and as an instrument to share best practices and promote information flows between FBI actors at the national level. National FBI federations have a less positive perception than their European counterparts that the Communication has increased information and understanding on key challenges facing industry, as well as a less positive perception of its having helped in building an understanding about intra-FBI sectoral linkages.

**2. How would you rank the overall competitive position of your sector today in 2004, compared with the sector's situation in 1999, across the 6 Challenges/Action Areas below?**  
[Preparedness to face Globalisation / Preparedness to face Enlargement / Capacity to cope with Sustainable Development Environment, & Energy / Management of Technological Innovation and Impact on human resources / Business Friendliness of The International and EU and Regulatory Framework / Image in Society /Other/New Challenge]

All of the FBI are no doubt operating in 2004 in an environment that has evolved in competitive terms since 1999. The survey feedback showed that the printing and the board converting sectors are struggling to a greater extent with overcapacity/over fragmentation. In the case of the printing sector the fragmented nature of the industry takes on additional significance in the context of high concentration levels in supplier industries, including the paper industry.

Regarding the regulatory environment, the survey showed national federations perceive a worsened competitive situation, and this is seen to be of major concern to the pulp and paper industry, with a streamlining and reduction of the regulatory burden having become a more important issue for this sector. This concern is shared also by the European Federations, none more so than the representative body for the paper industry.

There is little concern that the New Member States may distort the Internal Market, with the exception of the printing industry. Investment in technological innovation is perceived as substantially improved across the board, although the views of the pulp and paper industry are less positive than other that of FBI sectors.

Finally there is substantial agreement across the board that the industry's image within society has improved, even if the pulp and paper chain is not necessarily as optimistic as woodworking. Interesting enough national respondents tend to be more positive than their European Federations and comments that image having actually worsened almost exclusively come all from the printing industry in Northern Member States.

**3. Impacts Produced: Please provide us with your opinion on the results achieved through implementing the Recommendations of the Communication, (and the role of the Communication – i.e. direct/indirect), in terms of their importance in increasing the competitiveness and sustainable development of the FBI Sector:**

There is little in the way of concrete impacts that appear to have been induced, where a clear role can be attributed to the Communication. Enlargement of the EU has become a reality, and a number of actions have been taken to ensure that FBI concerns have been inputted into the EC's accession programme of work, however only a small part of the credit can go to the Communication as the enlargement process was going to happen anyway. In the enlargement area, the impact of the FBI Communication is greater in to be found more in such initiatives as the Business Support Programme addressing the institutional capacities of the FBI in the NMS, as well as helping them prepare for enlargement.

In the Image action area, results include greater efforts to raise the awareness and attractiveness of the FBI (e.g. to young persons), as well as greater understanding of the challenges through the EU Perceptions Study. Key impacts would appear to be in raising the visibility of the FBI sectors, and in developing policy dialogue and consultation mechanisms, results where the Communication can be credited with being the major factor in bringing these results about.

**4. What negative impacts, if any, has the Communication had on each of the action areas?**

It is difficult to identify areas where negative impacts have been engendered by the Communication. It is possible that the focus on progressing on the Kyoto lines, with the increased uncertainty over its future. While sometimes sectors that are covered by an EU Sectoral Communication can come to be regarded as sectors in distress or declining industries, this does not appear to have happened within the FBI sectors.

**5. Have the benefits that have accrued from the Communication been spread across sectors and stakeholders? If not, which stakeholders have benefited most?**

The primary benefits accruing from the FBI Communication, raised visibility of the FBI sectors, and in enhanced policy dialogue and consultation mechanisms have covered all sectors, and thus no sector has likely to have benefited disproportionately. However, the evidence does lead one to conclude that

national federations and companies have had little direct benefit from the Communication, with benefits more likely to have accrued to the European FBI Federations and to the Commission. That said, the increased FBI visibility and consultation structures at European level can lead to enhanced ability among European FBI federations to influence EU policies to take account of FBI interests, thereby providing indirect benefit to FBI national federations.

### **3.1.5. SUSTAINABILITY (Evaluation Parameter 5)**

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#### ***The Communication – Final Perspectives***

#### **1. What benefits induced by the implementation of the Communication's recommendations continue to be relevant today?** [FBI performance benefits / Better understanding of Industry Challenges (leading to more effective actions) / Institutional structures created / Changed organisation practices / Working practices developed / Learning acquired / Other?]

There is little evidence from the evaluation research to suggest that the Communication has in any significant way promoted restructuring and increased competitiveness among the FBI industries. Improved competitive situations have generally been attributed to either company actions, market forces or other factors not related the FBI Communication. Some stakeholders have reported that the Communication helped raise the awareness among industry players regarding the then approaching Enlargement and its likely impacts.

The FBI Communication has led to some changes in work structures and practices that will continue independently of the FBI Communication, with the European Federations adapting some of their lobbying and consultation practices. Examples include the increased co-ordination and consultation among the FBI industry federations, and development of shared positions on certain policy issues. The International Confederation of Paper and Board Converters in Europe (CITPA) considered that the improvement in its co-ordination and consultation with CEPI has been primarily due to the impact of the FBI Communication, while another federation considered that the FBI lobbying platform was the single most valuable platform it had to communicate its industry's issues and challenges to the European Commission and other EU institutions. The European Commission's work practices have also changed under the influence of the FBI Communication, in particular through the increased level (and type) of consultation with the FBI industry federations. Clear value is perceived in an enhanced understanding of industry challenges, and in particular in the institutional practices put in place and the general learning process.

The continuing relevance of much of the FBI Communication's diagnosis of FBI challenges and recommended actions is another area where sustainable impact can be identified. Indeed, many of the FBI players consider that in the event of a new EU policy initiative this analysis would need only to be updated, and not overhauled. Linked to the increased understanding of FBI players of the common features (and resource base) that they share are the strengthened consultation practices between FBI federations on issues of common concern.

The European-level policy and dialogue structures, which can continue to exist independently of the Communication, are another area where the FBI Communication displays significant evidence of sustainable benefits. Most of these institutional and dialogue and consultation structures bring the Commission and the FBI Federations together, and include the working groups within the Advisory Committee, the FBI Forum and the FBI Steering Group. Regarding the FBI Forum, the fact that the lead organisation role is now in the hands of the European FBI federations, led by CEPI, is further evidence of sustainable impact.

Turning to where sustained impact has not been secured, the experience of the last 5 years suggests that significant impact at national level cannot be achieved by a strategy that targets only the industry federations. One reason is capacity and resources. Between the European Federations there already exist substantial differences in the resources they can bring to bear on any implementation effort. Secondly, national federations' mandates (and resources) vary as to the extent they are expected by members to focus on European policy issues, beyond more direct association services to members.

Involving national government administrations is likely to be a key requirement to increase the take-up on actions at a national level. Expansion of the target groups to include for example environmental interest groupings is another that can be considered, while greater direct communication between the Commission (resources permitting) and national actors (in particular FBI federations) is also likely to be

valuable, such that national actors perceive a much more direct contact between European policy goals and actions and their own national FBI context.

**2. Do you consider that there would be value in a new/updated FBI Communication? YES / NO If YES, why? If NO, why not?**

There is clear support for a new Communication. The survey results showed an overwhelmingly majority of national federations in favour of a new initiative, with almost 80% of respondents being in favour and 50% considering a new Communication to be essential. No respondent considered that a new Communication would neither be necessary nor a good idea. The country fieldwork also confirmed strong support for a new Communication with remarkable consistency as to the pre-conditions for such support – a clearer sectoral focus, a focus on competitiveness issues, and a focus on action. In part the support for a new Communication can be seen as stemming from the widespread perception of under-achievement of the existing FBI Communication.

**3. Are you satisfied with the way policy indications are presented in the Communication?**

There is consensus that policy indications, as presented in the Communication, were too vague at the FBI-level to appear relevant and applicable to players in the various FBI sectors. For any future policy initiative, industry stakeholders have indicated a strong preference for sector-level analysis and recommendations (and not just FBI-level analysis only), as well more precise formulation of recommended actions.

**4. What would challenges be to produce an updated / revised Communication?**

The challenges in updating a Communication would likely be that there would need to be a clear sectoral dimension to a revised Communication, but with the input of the representative sector federations this should not pose a major challenge. What might be an issue is increased industry scepticism as to whether the Communication will be followed by real action.

**5. Do you think that the SWOT table included in Communication is still valid regarding the strengths, weaknesses, opportunities and threats facing the industry today?**

The general feedback from the survey research and country fieldwork is that much of the SWOT analysis remains valid, and would simply need updating. There is a clear perception however that the utility of the SWOT would be significantly increased if done on a sector specific level. This is not a significant problem, as the FBI-level SWOT analysis has been built-up from specific SWOT analyses on the core FBI sectors.

**6. In your opinion, what other ways (if any) could the goals of the Communication be achieved?**

This is a complex question with no obvious answer. The merits and shortcomings of Action Plans and the European's Commission's experience with these are discussed in the final section. However, the lack of a proper implementation plan following the FBI Communication does mean that the potential of this option has not really been tested. Whatever the policy option chosen, it will be important to seek to engage actors and initiatives at national level in a much more significant manner.

## **3.2. THE FBI COMMUNICATION IN THE WIDER EC EXPERIENCE**

The above sections have sought to bring together the key findings of the research and assess the 1999 FBI Communication against the 5 core Evaluation Parameters. This section considers the evaluation's findings in the wider EU policy and implementation context within which the implementation of the FBI Communication has played out between 1999 and 2004, as well as briefly looking at the experience of the FBI Communication in the light of Commission experience with other sectoral communications.



### The Policy and Implementation Context of the FBI Communication - Relevant Constraints

The FBI Communication has been influenced by specific constraints within the EU policy framework on one hand, and on the other hand by a number of factors which have constrained the implementation of the FBI Communication's actions.

#### *Policy-Related Constraints:*

The FBI Communication's results need to be considered against a number of policy-related constraints at the European level:

- ◆ It is important to note that the rationale of the FBI Communication was somewhat different from many other previous EC sectoral Communications. The development of the Communication was not driven by a perceived need to tackle significant structural issues facing these sectors, as has tended to be the case with most sectoral communications developed by the European Commission (e.g. declining industrial sectors such as ship-building, steel etc.).

The impetus for the FBI Communication came in part from the increased importance of the FBI within the EU's industrial landscape following the accession of Finland, Sweden and Austria, and a political desire among the new members and industry stakeholders to create in part a greater awareness of the size and importance of the FBI industries within the EU economy. Other motivations included the need to highlight the importance of other horizontal issues for the FBI industries, such as the planned EU Enlargement towards the East, the common challenge the FBI industries faced in changing public perceptions about their industry, and increasing awareness of the FBI's sustainable credentials.

- ◆ It is important to note that the FBI Communication was not typical of EC sectoral communications, in that its development was not driven by a perceived need to tackle crisis or structural issues facing these sectors. This has tended to be the case with most sectoral communications developed by the European Commission, such as in the shipbuilding and textiles sectors. The impetus for such a Communication came more from the increased importance of the FBI within the EU's industrial landscape following the accession of Finland, Sweden and Austria, and a political desire among the new members and industry stakeholders to create in part a greater awareness of the size and importance of the FBI industries within the EU economy. This has meant that the FBI Communication was not accompanied by a specific sector programme or action plan, as been the case with sectors facing acute competitiveness challenges (e.g. textiles).
- ◆ European Commission policy-making during the 1990's has witnessed a progressive move away from policy making characterised by a somewhat sectoral approach, and towards a horizontal policy making framework. This has meant de facto a less interventionist approach and a corresponding move away from sectoral actions and instruments. The FBI Communication was developed therefore in a policy environment where EU sectoral policies were being progressively integrated into horizontal frameworks and regulations. In such a policy context, a specific programme to address some of the challenges facing the FBI industries was not to be expected, and thus any measures in respect of the FBI industries would have to be realised primarily through existing EU horizontal policies and instruments.
- ◆ The last 5 years of the European Commission's policy priorities, since the publication of the FBI Communication in 1999, have been marked by consistently high level of priority accorded to environmental goals, higher than the priority of the competitiveness of the FBI industries.

#### *Implementation-Related Constraints:*

The FBI Communication has been implemented in a context where important constraints have exercised an influence, both related to the nature of the Communication itself and especially to the 'implementation landscape' on which its actions have been targeted:

- ◆ A key issue informing the evaluation is of course the fact that an EC Communication has *no binding effect*, with the result that the FBI Communication's recommended actions carry no legal weight, and therefore any of lack of take-up and implementation of its actions cannot be pursued by threat of legal or other sanction to those deemed responsible for not implementing it's actions.
- ◆ Many of the recommendations of the FBI Communication fall outside of the scope of action of the European Commission itself, and therefore require action by other stakeholders. Some examples of these stakeholders are European and national FBI federations, industry associations, and EU Member State governments. Moreover, in most of the action areas DG Enterprise does not have legal authority to act, with implementation of actions requiring uptake by other Commission services (e.g. DG Environment, DG Market, etc). This can be seen with other sectoral initiatives, for example the

Textile Action Plan, where the European Commission plays a limited role on the direct execution of the actions and measures set out. Given that textiles is a 'sensitive' sector, this suggests that the DG Enterprise FBI unit, with responsibility for FBI industries that are much more global and competitive, will be more oriented around existing horizontal EU policies and therefore have much less direct sectoral responsibilities.

- ◆ As mentioned numerous times, the FBI Communication was a relatively poor basis for action, given the relatively vague nature of its actions, the non-quantification of goals and progress metrics etc. Some of the actions represent a list of activities without clear specification as to what the end goal is, and reflect more the process of political compromise that influenced the development of the FBI Communication rather than anything resembling a credible plan of action.
- ◆ DG Enterprise does not have a mandate to carry through action for the majority of actions set out in the FBI Communication, despite being the driving impetus for the research and development of the FBI Communication and its internal 'champion'. Thus, to secure progress on, for example, streamlining environmental regulation, renegotiating trade tariff barriers with third countries etc. competence lies with Commission Services other than DG Enterprise. Thus, DG Enterprise's capacity to persuade other services of the importance of the actions and secure take-up from other Commission Services (and often larger and more powerful Directorate-Generals) – and their receptiveness to such requests and lobbying - becomes be a key factor.

### EU Sectoral Communications – Past Experience and Key Features

The *Inset Box* below provides examples of other Sectoral Communications launched by the EC, in addition to the 1999 FBI Communication. Regarding the 2003 Second Communication on Textiles and Clothing, this was developed as an emergency instrument to cope with the discontinuation of the multi-fibre agreement and its possible heavy consequences on the industry.

While no formal evaluation report is available for any of these experiences to serve as a benchmark for formulating proposals in this particular evaluation exercise, nevertheless it is possible, for comparative purposes, to highlight some of common features of EU Sectoral Communications, as well as their specific differences.

Some of the key features of Sectoral Communications identified by TEEC would appear to be:

- ◆ The need to incorporate sectoral considerations within the framework of the Commission horizontal policy instruments;
- ◆ The action plan dimension
- ◆ The specific policy objectives pursued.

#### Examples of Previous EC Sectoral Communications

- ◆ Action Plan for the Competitiveness of the European Textiles and Clothing Industry in 1997,
  - ◆ The 2001 Report on the Promotion of Competitiveness and Employment in the European Footwear Industry;
  - ◆ The 2000 Communication on Promoting Sustainable Development in the Non-Energy Extractive Industry.
- The 2003 second Communication on the Future of the Textiles and Clothing Sector in the Enlarged European Union

Each of these issues is discussed in further detail in Section 5.3 in Chapter 5, when the objectives and scope of a new EU FBI policy initiative are discussed. It is important at this stage to note the EU Sector Communications are characterised by important constraints determined by many factors, such as:

- ◆ Sector Communications are the result so a process of political compromise;
- ◆ Limits as to what can be achieved within the framework of an EU industrial policy that is by definition horizontal and not sectoral.

### Past EU Sectoral Communications – Typical Objectives of EU Sectoral Communications

Based on a summary review of the possible policy objectives of other EU Sectoral Communications, we have identified, broadly speaking, 3 types of wider policy objectives that are more or less clearly stated in the respective Communications texts:

- ◆ Awareness-raising and increasing industry political visibility;
- ◆ Establishing policy dialogue mechanisms;
- ◆ Shaping EU state aids and competition policy.

It is interesting to note the parallels with the experience with the 1999 FBI Communication, where increased awareness and enhanced policy dialogue mechanisms would also appear to be among its most important results. The FBI Forum, the product of the last of the 35 recommendations in the FBI Communication, is a good example of this – the positive feedback from many stakeholders referred more to its role as a vehicle and forum through which FBI learning had taken place than as an a vehicle for effective implementation of the Communication’s recommendations, the purpose for which it was established.

## 4. REVIEW OF PROGRESS REACHED BY ACTION AREA

### 4.1. THE GROWING IMPACT OF GLOBALISATION

#### Background Information: Putting the Evaluation into Framework

**The FBI Communication and Globalisation.** Globalisation is the first policy area reviewed in the FBI-Communication. It was foreseen that the information and communication revolution would lead to an intensification of worldwide trade and investment flows in forest-based products. This could represent both an export opportunity for paper and board and the printing industry and a serious threat to the low-added value segments of the industry (sawn wood, certain types of panels, pulp, etc.) because of increased competition from low-cost countries. To cope with this, the Communication called for special attention to be paid to environmental standards in the *WTO Millennium Round* and for more traditional trade policy instruments such as the monitoring of import tariffs and restrictive export quotas. Five specific action areas were then proposed including facilitating access to financing as a way to help the industry cope with the new scenario (see text box below).

#### The FBI Communication – Recommended Action Areas

- a) encourage the EU-IND to adapt and restructure using market-driven mechanisms and improve the availability of funding;
- b) ensure the continued access to an the availability of raw materials through actions against eventual third country export restrictions;
- c) collect relevant information about tariff and non-tariff barriers in third countries that impede access to these markets, and to take appropriate measure, through the WTO if necessary, for their removal;
- d) promote in the next WTO Millennium Round a high-level of environmental standards;
- e) in international fora such as WTO, WIPO, UN/CSD, ISO, work towards the harmonisation and the mutual recognition of rules and standards, and contribute to the development of more equal, fair and reciprocal competition rules.

**A Summary of Key Developments Since 1999.** Broadly speaking, the Communication's anticipated developments have largely proven true: the FBI are increasingly global industries that depend more and more on international trade and flows of capital. This process has probably taken place on a larger scale than originally expected: international trade in woodworking products has grown faster than international trade in general; the flow of EU-15 foreign direct investment to the emerging markets (if also the CEECs are considered) has reportedly exceeded domestic investment in the EU-15 itself. In particular, although generalisation should be avoided, EU based-operators in the pulp and paper industry have increasingly purchased forest resources and plantations in emerging countries and have invested in production capacity overseas, while the wood-working industry has mainly invested in the NMS and in the Balkans.

As a result, the EU FBI are more and more sensitive to the diminished volatility of exchange rates and the decreasing trend in international freight costs in real terms. However, the detailed impact of this in terms of trade flows has not always been in line with what was anticipated in the Communication but instead has followed market fundamentals and cost structures. The division between winning high added-value and losing low added-value sectors has not been so clear-cut and straightforward. Recently, EU soft sawnwood exports have boomed and also particleboard producers have been successful. It must be said that globalisation affects different parts of FBI in different ways; while the EU paper industry has increased its exports, globalisation has led to a worsening of the export performance of the printing and packaging industry. Linguistic and cultural barriers continue to be an important obstacle to widespread internationalisation in the printing industry and external trade accounts for a very limited, although increasing, share of the market. The importance of multinationals in the different mass-media national markets is one of the main driving forces for change. Printing firms either expand internationally together with their key accounts or, in the worst case scenario, they are bypassed by a delocalisation process managed by their clients. Most importantly, it is secondary woodworking (namely furniture makers) that has been more severely affected by international competition and emerging countries have notably increased the added value of their hardwood exports.

Competition in the procurement of raw materials has become more and more evident in all segments of the FBI, mainly because of an increasing demand from Chinese operators lacking raw materials and facing a ban on domestic logging. For instance, the demand from China has become the driving force for

prices in the German market for recovered paper and Chinese firms are very actively buying tropical hardwood and hardwood in the Balkans.

Tariff levels are already generally low in the FBI,<sup>9</sup> having been progressively reduced in the past decades, or, in the case of paper and board fully dismantled this year in the OECD area.<sup>10</sup> The EU approach was first in favour of a comprehensive *Millennium Round* covering reduction of tariff and non-tariff barriers together with new issues (environment, competition), and then was focused on traditional barriers only. To this aim the EU resisted the proposals of acceleration of tariff liberalisation, such as those formulated by the ACP Countries, U.S and New Zealand. As is well known, the *Millennium Round* negotiations have stalled both in Seattle and Doha and their final outcome is not foreseeable. During the negotiations some diverging positions appeared on the extent to which wood products from sustainable harvested forest should be considered environmental goods under the WTO definition, and therefore being given preferential access to markets and incentives for their production. Nowadays, non-tariff barriers are generally considered more relevant than tariffs in distorting international trade flows. These range from easily identifiable obstacles such as product standards to phytosanitary measures<sup>11</sup> and classification and nomenclature issues, but also include more subtle bureaucratic difficulties such as certificates, translation requirements and other delays.

The issue of illegal logging has risen very high in the international and EU political agenda and seems bound to become a potentially controversial matter in the next WTO negotiations. The Commission has launched its action plan on forest law enforcement, governance and trade (FLEGT) that is based on voluntary instruments only. It is possible that some kind of mandatory EU legislation will be introduced during one of the next presidencies. The FBI seemed more inclined to have voluntary codes of conduct rather than more detailed legislations.

**Selected Actions Undertaken by the European Commission and the European Federations:** Since the FBI Communication was published, DG Enterprise and the FBI unit have implemented various actions regarding globalisation. One could say that the cornerstone for DG enterprise activities in the field of globalisation and trade has been represented by the FBI unit's activities on trade policy issues. The EC follows any trade restrictions that are introduced by third countries and works closely with the EU and national federations and has been working to find practical ways of preventing trade of illegal round wood, to ensure fair trade and to promote international standards and mutual recognition.

Most of the above actions require co-ordination by the European Commission across a number of different international trade and regulatory bodies, and would require significant co-ordination across the Commission's services. The one exception is the first action, which is one that only market forces and the industry federations could address. While not clearly specified, the remaining four actions fall under the European Commission's competence. These actions have generally been progressed by the European Commission, with the exception of promoting environmental standards in the WTO negotiations where the Commission was concerned that action here could potentially impact negatively on other EU interests. However the FLEGT proposal is aimed at setting standards for logging in some third countries that would contribute towards harmonising conditions for forestry activity in different areas.

Actions undertaken include:

- ◆ The publication in 2000 of the seminal study on the Competitiveness of the European Union Woodworking Industries, which has been a cornerstone for DG Enterprise activities in the field of globalisation and trade. This was followed up by the establishment of a dedicated working group on trade within the framework of the FBI Advisory Committee. Moreover, sustainable supply of raw materials was among the themes debated within the framework the 2001 FBI Forum<sup>12</sup>.
- ◆ Other institutional activities within DG Enterprise have included input to several anti dumping cases as well as work on concentration indexes in the FBI industries.

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<sup>9</sup> There still are some few notable exceptions of tariff escalation mainly in panels (plywood 7% tariff in the EU, board 4.8%. etc.).

<sup>10</sup> There are some notable exceptions in emerging countries, such as India, where import tariffs are very high.

<sup>11</sup> For instance in the late eighties North American exporters viewed the mandatory use of drying facilities for sawn softwood in the EU – a measure taken to prevent the spread of the pinewood nematode – as a non-tariff barrier. In fact, as a result of they lost a considerable share of the UK market to Nordic countries. More recently the ban on chromate copper arsenate based wood preservatives is also expected to have a considerable impact on the market.

<sup>12</sup> Globalisation issues in the printing industry and pulp and paper industry were mainly analysed in separate studies published in 2000.

- ◆ The EC Trade & International Affairs Working Groups have been providing information to & soliciting reactions from EU FBI federations on multi-lateral and bilateral trade issues, including Doha, US Steel & FSC, and especially FLEGT (including Canada, USA, Japan) and IFF/UNFF. Significant contributions have been made by DG Enterprise's FBI Unit to the definition, execution and interpretation of two major studies for MADB.
- ◆ Other main Commission studies on this subject reportedly include an investigation on some of its Member States' subsidies to the woodworking industry and the recently commissioned sustainability impact assessment forest study of proposed WTO multilateral negotiations.

The European Federations have been mainly active as channels for reporting trade barriers and through studies aimed at raising awareness about wood supply issues. Instances include a 2002 CEPI study on future wood availability and the preparation studies for the CEI-BOIS roadmap.

### Summary Evaluation Findings

**The Nature of the Proposed Action Areas.** Most of the action areas listed under this priority are fairly generic in scope and their ultimate results depend on a complex combination of factors outside any specific player's control. At any rate, the action areas were not addressed to any specific institution or stakeholder. This is particularly the case of the first action area which is a fairly generic recommendation addressed to industry and financial markets with some possible indirect reference to state aids issues and restructuring support through the structural funds. The opinions expressed in the questionnaire therefore are inevitably quite broad in scope and of a fairly general nature and reflect the respondents' sentiment on given policy areas rather than a specific assessment of well identified activities.

**Questionnaire Survey Programme.** FBI EU Federations and National Associations substantially agree in considering globalisation issues the least important set of Commission recommendations at the time they were formulated. They also agree in considering it an issue of growing importance, although there is some disagreement on how important it will be. For European FBI Federations, globalisation is going to become *the* most important policy issue in the next five years, while National Associations are less radical in their judgement (see vol. III). There are several possible explanations for this discrepancy: European Federations tend to be particularly concerned about long-term availability of raw materials also based on the results of the studies they themselves have commissioned while others think these forecasts play down the present apparent oversupply of wood resources in Europe and difficulties in anticipating developments in Russia. National Associations are closer to market operators who tend to take scenario studies and long-term forecasts more with a pinch of salt, often having had a more direct experience of the vagaries of history.<sup>13</sup>

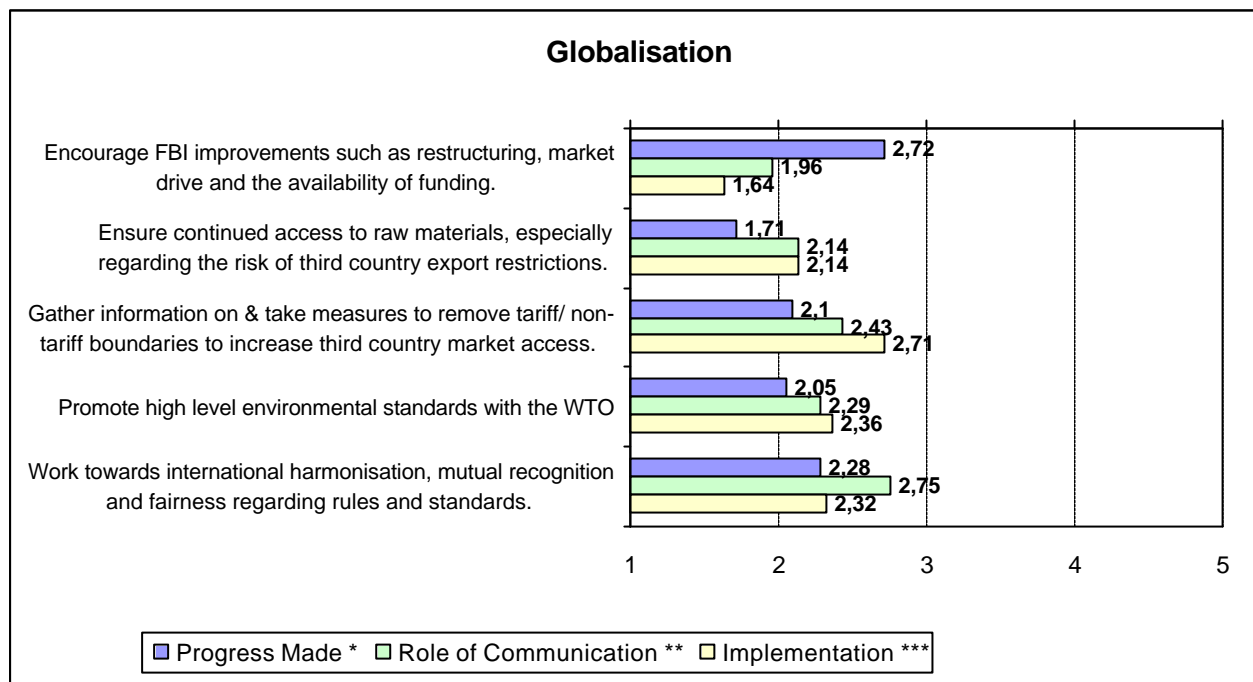
#### The Availability of Raw Materials from Russia

It is the availability of logs from Russia that is often acknowledged as one of the key strategic variables of the EU FBI likely future developments. At present large producing countries such as Finland already depend on Russian imports for more than 15% of production needs, and there are diverging views on Russia's own capacity to cover the bulk of the anticipated long term demand for soft round wood in Europe because of various reasons (lack of infrastructure, unclear forestry governance, etc). However the sheer centre of gravity of the European log market is already clearly located to the east from the centre of gravity of the sawnwood market. The whole structure of European prices has a clear East-West gradient ultimately depending on log prices (on average some half the EU - 15 level) and stumpage prices in Russia. These can reportedly become as low as zero in the more distant parts of the Country. As a consequence the development itself of an FBI in Russia, forest rights and stumpage prices, not to speak of export restrictions, could have major effects on the present competitiveness of the EU FBI. Softwood pulp production in Russia is highly competitive and can be sold at half the price of French or Finnish pulp. The main limitation so far is represented by limited investment. Total investment in the Russian FBI is less than half the size than in Finland and, only a negligible part of it is represented by foreign investment, as foreign investors remain a bit scared about the overall business climate of the country and its geopolitical risk.

As reported in the graph below, both sets of respondents generally tend to assess the progress reached in the various action areas relatively poorly and - especially at the national level - the role played by the Communication in facilitating the political process. However, in the majority of cases, respondents are

<sup>13</sup> For instance some maintain that there allegedly is at present an oversupply of wood in certain European countries also as the result of a possibly miscalculated strategic reforestation in the fifties, based on wrong demand assumptions after the Second World War consumption explosion.

also ready to acknowledge that the implementation of these recommendations was not an easy task at all.



\* Progress Made: 1: no progress, 2: little progress, 3: medium progress, 4: good progress, 5: major progress

\*\* Role of the Communication: 1: no influence, 2: modest influence, 3: some influence, 4: important influence, 5: driving factor.

\*\*\* Implementation: 1: very difficult, 2: difficult, 3: medium, 4: easy, 5: very easy.

#### Comments on the Survey Feedback:

The issues regarding each individual action area that we consider pertinent to the above scoring are discussed in greater detail below:

- a) problems with difficulties in access to financing as a key competitiveness issues are particularly voiced by the printing industry. However many acknowledge that the availability of financing has generally improved and that in this respect, it has been achieved more than it could have been expected in 1999. The limited impact of the Communication appears to be related to the widely acknowledged fact that it has never become a reference document in the EU policy discussions on mergers and acquisitions in the sector or on State aids;
- b) concerns with lack of access to raw materials appear more as prospective strategic problems than actual issues and mainly reflect the uncertainties on the WTO negotiation round and the participation of key EU supplier (notably Russia) to the WTO regulatory framework as well as the possible FLEGT limitations on future imports;
- c) there seems to be a genuinely low appreciation of the effectiveness of the various efforts undertaken at the European and National level to improve the reporting mechanism of non-tariff barriers. Many still think an important part of the SME world is disconnected from any systematic reporting and that smoother mechanisms should be found. Some national associations are ready to acknowledge they also have not been very active in the past in this respect.
- d) the slow progress of the WTO Millennium Round is the main justification for a widespread negative sentiment on WTO-related issues. It must be noted that the EU negotiating position no longer includes the promoting environmental standards which is a Communication indication overrun by subsequent EU policy developments;
- e) very little progress is perceived to have taken place regarding the international negotiations on standardisation and harmonisation. On the contrary there is a request to further develop European standards to substitute for missing international ones.

**Country Reports and Telephone Interview Programme.** Free trade and availability of raw materials are hardly considered as problem areas *per se*. On the contrary, many interviewees appeared more concerned that the present favourable free trade momentum is maintained and that the industry does not go backwards in time. Cases of tariff and non-tariff barriers have indeed been reported but these mainly regard niche markets in the panel or paper industry or trade disputes with the US. Possible trade barriers in emerging countries are less of a practical issue because EU companies usually appear more interested

in establishing their operations there to supply the growing local market than in merely exporting products from their European bases. In this respect it is certainly true that rules on competition (some fear in the future heavy imports from Chinese supported “national champions”) and investment are likely to have much greater influence on trade flows than the traditional tariffs.

As far as availability of funding is concerned, there seems to be a prevailing view that large “rescue” State Aids granted to single companies and their possible market distortion effects are perceived as less of an issue than they used to be, probably also because the Commission’s own enforcement of State Aid policy has become stricter in the last few years. However, the opinion was frequently voiced that the market has become so competitive and fast that any artificial injection of external support funds is not likely to substantially heal any company in the long run. Some highly fragmented segments (woodworking, printing) of the FBI are structurally inclined to overcapacity and over-investment and therefore are likely to suffer from cyclical ruinous competition. The banking sector therefore rightly perceives them as risky investments, and SMEs may frequently experience difficulties in accessing long term financing. It is widely believed these difficulties will become even worse with the Basle II<sup>14</sup> banking regulation standards are implemented.

Illegal logging certainly is one of the most controversial and widely debated regulatory issues nowadays within the FBI. It is probably is the main cause of friction between environmental NGOs and an important issue for environmentally-oriented FBI companies, even if the level of public interest varies across Europe.<sup>15</sup> While there is an across-the-board consensus on the generic need to have access to legal timber, substantial differences arise when it comes to the definition of legal, the scope of redressing policies or the most appropriate measures to tackle the issue. While environmental groups tend to have a very comprehensive view,<sup>16</sup> the FBI are very concerned about having an easily workable system in place at little additional costs. Needless to say, countries particularly specialised in imports from alleged sources of illegal timber are particularly concerned with disruption in trade flows and some fear these policies may ultimately end up in giving advantages to competitor countries.

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## Conclusions

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### The Specific Evaluation Questions on Globalisation.

**Q.** *How have FBI stakeholders made changes and improvements to better face global competition?*

**A:** The picture is highly differentiated between the different FBI sectors and typologies of firms. Large firms and multinationals have been better placed to tackle global competition than small or micro enterprises. Medium firms in niche markets are well positioned, but generalists have been hardly hit. In this respect, although some consolidation has taken place, many FBI sectors still appear to be worryingly fragmented. Government and business association’s capacity to provide support to the SME world through various schemes has not compensated for the more fundamental strengths of the larger players in the new competitive scenario.

**Q.** *What actions have been made to address the availability of raw materials in view of possible third country export restrictions?*

**A.** The actions taken so far to address the availability of raw materials in view of possible third country export restrictions have mainly been awareness raising actions informing stakeholders on possible problems in the future. There have been requests from several sides to take concrete policy actions on a more harmonised implementation of existing international treaties with export restriction implications (the CITES convention<sup>17</sup>, the WTO Dumping Code, etc.) but to little avail. The unconvincing results of the

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<sup>14</sup> In 1988 the Basle Committee agreed an international standard for minimum banking capital requirements. Now the Committee is working on a replacement for that accord that has been dubbed Basle II and will include more sophisticated treatment of credit risk, and it will directly address, among other things, operational risks.

<sup>15</sup> This is an ongoing issue in media coverage in some countries where the topic attracts considerable public opinion interest and is extensively dealt with in the media (“each week there is an article on illegal logging in the press”), and others where it is more of a technical concern to the industry and environmental groups only.

<sup>16</sup> Most environmental NGOs would include within its remit bribery issues, the legitimacy of land rights, compliance with customs duties and other taxes, as well as would like to address not only round wood and sawn timber, but also pulp and paper and joinery and furniture products

<sup>17</sup> CITES restricts very few species and very low volumes thereof, but has some impact in countries specialised in tropical hardwood.



controversial Indonesian experiment of total log export bans<sup>18</sup> seems to have led many to think that present log export bans in Asia, the US or Canada (mainly in the Pacific Northwest) are less of a threat than they could have appeared in the past. Now it seems the interviews are more concerned about the possible effects of voluntary import restrictions (see FLEGT in section below). However these interviews took place when the details of the last Commission's position on FLEGT were not known. So it cannot be said whether these concerns persist or not.

**Q.** *Do FBI stakeholders have the necessary information about tariff and non-tariff barriers in third countries?*

**A.** The present reporting mechanism works reasonably well for the companies affiliated to National Associations or European Federations reporting to the FBI Trade Working Group and as far as sheer tariff or regulation-based non-tariff barriers are concerned, but does not necessarily cover the universe of SMEs. The online reporting mechanisms have been scarcely used and minor administrative / process barriers often go unreported and unnoticed.

**Q.** *Are FBI stakeholders aware of actions being taken by the WTO and are they satisfied with the level of environmental standards being promoted there?*

**A.** There was broad agreement within the FBI on the main principles underlying the EU position in the WTO negotiations. These issues are fairly well known across the board. The fact that the EU negotiating position has subsequently changed is widely acknowledged to be due to the difficulties in finding an agreement with the other parties.

**Q.** *Have there been significant improvements in international harmonisation, and mutual recognition of rules and standards for FBI products?*

**A.** No notable instance has been reported on significant improvements in international harmonisation, and mutual recognition of rules and standards for FBI products. On the contrary, some concerns have been raised regarding Russia's very peculiar implementation of CEN norms. Interestingly enough, the insufficient development of the EU's own coding and standardisation process concerning building components is sometimes reported as an obstacle to harmonisation of trade with third countries, because the latter would likely make reference to missing European codes.

### **Likely Future Issues**

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Both at the European and National level there is a significant number of questionnaire respondents who think that the Communication covered less than 60% of actual policy needs. In particular, likely future issues include:

- ◆ *Including recycled raw materials in long-term raw material availability estimates.* The Communication approach to the availability of raw material was mainly focused on external trade of wood only. Industry appears even more concerned about global assessment of long-term availability of domestic forest resources in the light of the different EU policies and national forest strategies. They apparently would like to see a more consolidated approach inclusive of the increasingly important issue of recycled raw materials that have started being dealt with in one working group.
- ◆ *Monitoring dominant positions in supply markets.* The Communication talked about restructuring of the FBI within the framework of market driven mechanisms. However, the preconditions for a levelled market playing field of raw materials at the European level are increasingly put into question. Firstly, some maintain it is no longer true, if it ever was, that prevailing sparse private forest owners ensure an overall fair market for stumps. Concentrated public-owned forests allow considerable scope for potential hidden subsidies through artificially low stumpage prices.<sup>19</sup> Secondly, the argument is often made that at the aggregated level, subsidies in the form of regional investment support have already considerably distorted the woodworking (and possibly the paper) industry by creating artificial cost competitiveness edge and contributing to overcapacity.<sup>20</sup> So far, all these allegations have not been

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<sup>18</sup> Thanks to a log export ban Indonesia had become by the late nineties the third large world exporter of plywood and sawnwood. However this ultimately also resulted in income loss, little employment generation and reduced harvests.

<sup>19</sup> It is worth noting that this argument has increasingly become known after the US Government has used it to challenge allegedly subsidized imports of logs from Canada as dumping within the framework of NAFTA.

<sup>20</sup> These arguments, once to be found in academic publications only, are increasingly reported in European federations' documents. See for instance The European Organisation of the Sawmill Industry – the Finnish Sawmill Associations

substantiated by hard evidence, but at any rate, would deserve careful Commission consideration for possible further investigation. Finally, the printing industry is concerned about preventing abuses of dominant positions and cartels in the highly concentrated paper and ink markets upstream.

- ◆ *The transport and logistic dimension of globalisation.* Most discussions of globalisation issues have not taken into consideration the other side of the coin: transport and logistics. Again this has both international and intra-EU implications at the international level since transport is the second most important source of greenhouse gas emissions. Some apparently environmentally-related trade flows would appear absurd if transport were to be included in the picture. At both the intra-EU and international level this is because transport modalities and bottlenecks (availability of rail transportation services, national road transport regulations, etc.) have a notable impact on industry competitiveness.

## 5. THE ENLARGEMENT OF THE EU

### Background Information: Putting The Evaluation into Framework

**The FBI Communication and Enlargement.** At the time the FBI Communication was written, enlargement issues understandably ranked fairly high in the Commission's agenda. A complete section of the Communication was specifically devoted to enlargement, the purpose of which was to raise political awareness that the New Member States (NMS) could represent a large growth market for forest based products, as well as to highlight the fact that FBI are key industry sectors in a number of the EU-10. Accession would therefore lead to an increase not only in EU wood resources, capacity, production and growth potential, but also in FBI political importance within the Union.

The Communication outlines the strengths of the EU-10 FBI through their large forestry resources, low labour costs and good technical qualifications and also describes how these are counter-balanced by negative features like outdated production technologies, poor environmental and energy standards, and the uncertain outcome of the privatisation process.

Main challenges identified included the implementation of sustainable forest management practices and the application of the related *acquis*, including the development of more reliable statistics. Five specific action areas were then proposed (see text box below).

#### The FBI Communication – Recommended Action Areas

- a) monitor the transposition and implementation of EU legislation in the CEEC;
- b) evaluate the CEEC FBI's readiness for accession and verify that candidate countries meet the requirements of the single market;
- c) enhance institution building, both in the public administration and among the FBI in the CEECs;
- d) develop statistical information related to the FB-IND in the CEECs;
- e) improve awareness within the CEEC of the effects of the EU policy objectives on the FB-IND and facilitate industrial cooperation with EU partners.

**A Summary of Sector Developments Since 1999.** Following enlargement, the EU has recorded a 20% increase in its total forest area and a 25% increase in standing volume of growing stock. Broadly speaking, as anticipated in the Communication, the FBI product market in the New Member States continues to grow at a much faster rate (5-6% yearly) than in the old EU-15. For instance, paper and paperboard demand growth in Eastern Europe is presently deemed the highest in the world and is expected to remain high as per capita income increases. All in all, the market is expected to double in size by 2015. The packaging and printing industries are also growing very fast, driven by the booming demand for advertisement, which has doubled (or more than doubled) over the last five years.

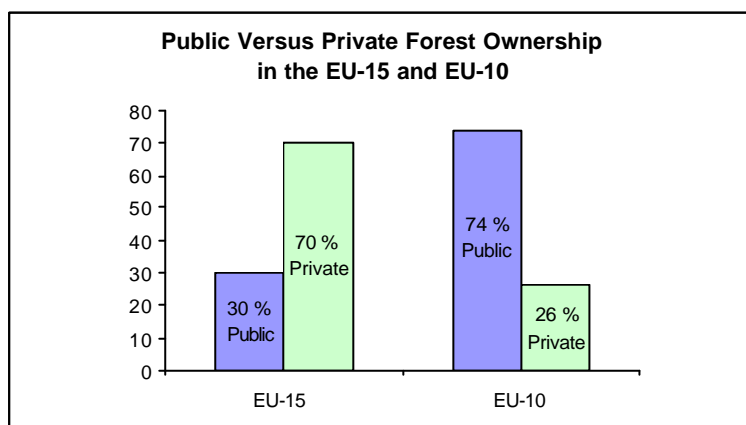
Growing domestic demand is only a component of the FBI growth in the CEECs. All segments of the local FBI have become increasingly export-driven and in many sectors exports account for over 40% of production. For instance, furniture makers down the wood chain have become leading industrial sectors in several New Member States. Companies in the NMS have gained important market shares in bookbinding and other segments of the printing industry. Since most of these exports target neighbouring countries in the EU-15, it is little surprise that the same industries in those countries have been heavily affected by enlargement. However, the same delocalisation phenomenon happens further east in former Soviet Union countries.

Together with low energy prices, one important determinant of FBI competitiveness in the NMS is the level of foreign direct investments. FDI represents the main source of financing, training, upgrading of equipment and improvement of marketing. Most former large State-owned companies were bought by foreign investors and frequently new investments were made in the special investment zones. As a consequence, the FBI is increasingly split between medium to large-sized, foreign-owned operations fully integrated in the world markets and undercapitalised micro or small indigenous SMEs that face substantial problems, including access to financing. Although rapidly increasing, labour productivity in the

New Member States remains lower than in the EU-15 and is reflected in lower wages that have substantially contributed to their competitiveness. For instance, labour productivity in the pulp and paper industry is estimated half that found in Germany. Through the SAPARD Programme,<sup>21</sup> the EU has put aside € 167.5 million to provide financial support for forestry measures, including FBI SME support.<sup>22</sup> However, in many New Member States these funds have been used only to a very limited extent both because of delays in having the related measures accredited and because of the difficulties operators face in mobilising advance financing. These difficulties are well known to the Commission who has started a consultation process to address them.

All of the New Member States have committed themselves to sustainable forest management<sup>23</sup> principles and a national forest programme is either currently being formulated or is in the initial phases of implementation. European FBI associations are increasingly operating with their New Member State neighbours. For example, CEPI and CEI BOIS have enlarged their membership to various NMS: federations in Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, and Slovak Republic are members of one or both EU institutions. Activities undertaken with countries include statistics collection, participation in committees and working groups, various awareness raising events (on the functioning of EU institutions and EU legislation), and more. The main problems facing the FBI in the New Member States have been and continue to be the fragmented industry structure and the need to improve the level of technological development and know-how.

As shown in the figure below based on data from the Draft EU Forest Strategy Revision, one major difference between the EU-15 and the EU-10 is forest ownership. Most New Member States were well managed under the centralised system and some have suffered during the early stages of privatisation. Although it is estimated that when the privatisation process is over the share will be 60:40, at present more than 70% of the total area of forests in the NMS is in public hands which is exactly the opposite share than in the EU-15. New scattered private forest owners often have very little incentive to play any role in the management of their forests. As already mentioned in section 4.1 above, this dominant position has contributed to raise some competition concerns in the industry.



#### **Selected Actions Undertaken by the European Commission and the European Federations:**

Some of the actions are clearly a Commission responsibility, in particular issues related to the transposition of the EU Acquis, the "readiness" of the candidate countries and institution-building. Transposition and actual implementation of the Acquis Communautaire in the field of forestry has been verified on a yearly basis by DG ENLARGEMENT through the production of Accession Reports, and DG Enterprise has inputted to this process insofar as the FBI are concerned. No specific problematic issues are reported by the Commission to have emerged.

DG Enterprise and the FBI unit have implemented various actions regarding enlargement that go above and beyond their regular responsibilities of monitoring and transposition of EU legislation in the NMS.<sup>24</sup> The EC has financed projects for improving institutions dealing with forestry. For example, a special

<sup>21</sup> SAPARD - Special Accession Programme for Agriculture and Rural Development

<sup>22</sup> Funds were set aside for Forestry measures in the following countries that included forestry as part of their national SAPARD Programme: Bulgaria, Estonia, Latvia, Lithuania, Romania and the Slovak Republic.

<sup>23</sup> Also through their participation in the Ministerial Conferences on the Protection of Forests in Europe (MCPFE).

<sup>24</sup> Transposition and actual implementation of the *acquis communautaire* in the field of forestry has been verified on a yearly basis by DG ENLARGEMENT through the production of Accession Reports.

Business Support Programme has been run by CEI-BOIS and UEM, with the aim of encouraging the establishment of national industry federations in NMS in the woodworking and furniture sectors. Supported by the EC PHARE Programme, the goal of the programme is to strengthen NMS business organisations to effectively support and represent the interests of their constituent businesses, and the programmes have resulted in an increased number of national business associations and in a more widespread use of self-auditing tools within the New Member States to check compliance with the EU Acquis.

However, only limited measures concerning institution-building have been introduced, and the Commission (DG Agriculture) has noted the need for more institution-building measures, within the context of its public consultation on the Commission Staff Working Document on the Commission's Forestry Strategy. The Finnish Forest Academy has carried out projects to increase the level of information about EU policies concerning forestry and forest-based industry and arranging training, which is part of the Community's efforts around institution-building.

DG Enterprise has also funded a study on the FBI sector in the New Member States in 2000 (Vienna Institute) and internal staff in the FBI-unit has done specific research on FBI in Estonia, Poland, the Czech Republic and Slovakia.

Other Actions taken by the European Commission and the European FBI federations include:

- ◆ Regarding the development of statistical information on the FBI in the EU-10, Eurostat has published data on the production of wood, panel and paper production in the New Member States.
- ◆ The New Member States have been involved in the preparation and now implementation of CEI BOIS Roadmap 2010.
- ◆ CEPI has enlarged its membership to a number of NMS and now covers 95% of the total EU-25 production. All new Members comply with statistical standards and are full involved in Committees and working groups
- ◆ European Timber Council (ETC) efforts to increase cooperation between promotional organisations in the EU-15 and promotional organisations in the NMS, and to exchange experience and best practice and to support the establishment of wood councils in new EU Member States. To this end ETC has held one of their annual meetings in Tallinn.
- ◆ A European Commission study from 2002 entitled "Forestry in Accession Countries." This study provided an overview of the characteristics, policies and recent structural changes in the forest sector in the New Member States.
- ◆ The New Member States are taking steps to participate more with EU neighbouring Member States, for example in promoting wood towards students. The Estonia Forest Industries Association has organised education trips to Finland, Switzerland and in Estonia to study local architecture with a focus on wooden houses.

## **Summary Evaluation Findings**

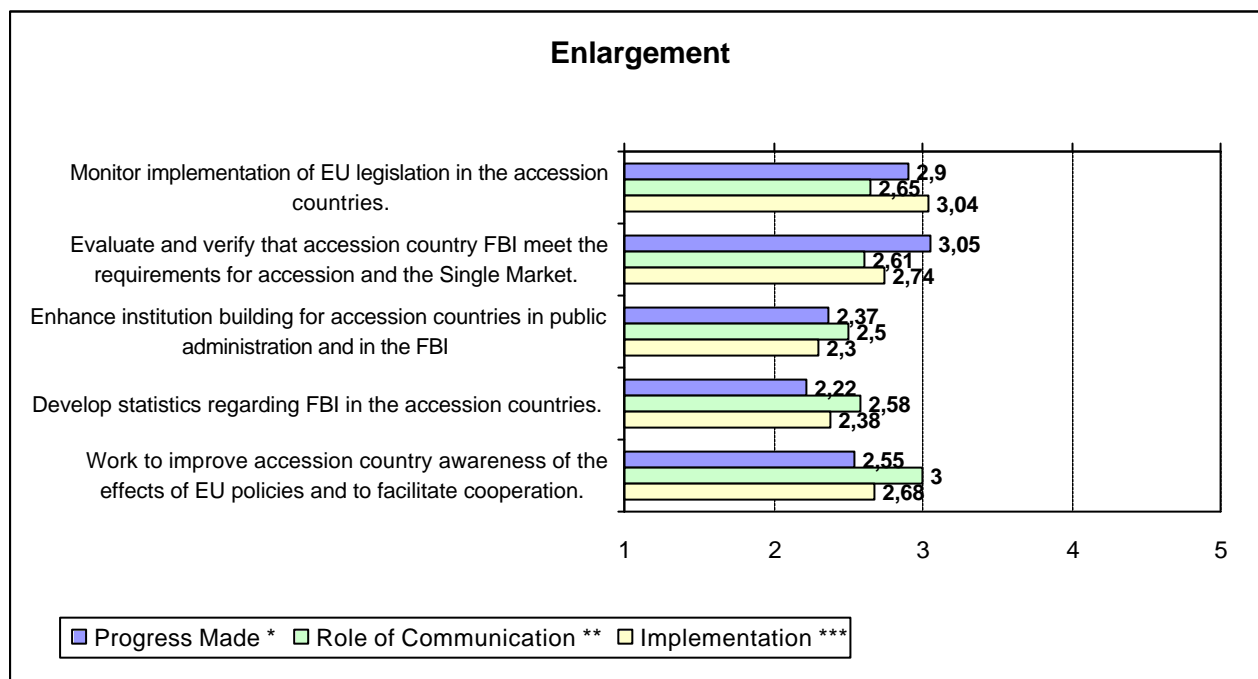
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**The Nature of the Proposed Action Areas.** The action areas detailed under this priority appear a sectoral specification of the broader Commission enlargement agenda at that time, including items such as the transposition of the *Acquis*, the assessment of the "readiness" of the candidate countries to play the single market and the support to the institution building process. However it is worth clarifying that there was no such thing as a specific FBI-related *Acquis*. One could say that the Communication itself was their only form of *Acquis*, and indeed, most NMS Governments duly translated it and posted it on their websites. FBI industries have been indeed horizontally interested by a number of EU *Acquis* issues ranging from the Natura 2000 regulation to environmental and occupational health and safety standards.

Although the overall priority of enlargement was clearly supposed to be implemented under the Commission's supervision, the action areas contain fairly generic indications addressed to a potential number of recipients, including European and National Associations involved in bilateral or EU-funded co-operation projects and CEECs national governments. It is important to highlight that not all questionnaire respondents were necessarily well placed to give an informed opinion on enlargement issues and that results should be interpreted with caution, as they are likely to reflect a somehow over-pessimistic view

of the situation. Fieldwork has shown how in a number of EU-15 Member States knowledge of the situation in the New Member States can be fairly superficial and often based on second-hand sources.

**Questionnaire Survey Programme.** The questionnaire results confirm that across the FBI the accession has been perceived more as a “political” priority than as a priority in competitiveness terms, often because of the long established trade relations with these countries. However, there is a general consensus that while the importance of enlargement now remains fairly high it is bound to decrease considerably during the next 5 years. The table below shows, in a graphic format, the combined results of EU and National Federation assessing progress in each proposed action area.



\* Progress Made: 1: no progress, 2: little progress, 3: medium progress, 4: good progress, 5: major progress

\*\* Role of the Communication: 1: no influence, 2: modest influence, 3: some influence, 4: important influence, 5: driving factor.

\*\*\* Implementation: 1: very difficult, 2: difficult, 3: medium, 4: easy, 5: very easy

#### Comments on the Survey Feedback:

The following points should be noted in respect of the survey feedback for each of the action areas:

- while everyone agrees that the relevant sets of EU norms have been transposed and put in place in the NMS, there still are some concerns in the FBI on their actual implementation in the future;
- in the same vein, there are some concerns about environmental dumping and lax implementation of occupational and health and safety norms as possible distorting competition factors;
- it is widely acknowledged also by the Commission in its SAPARD consultation process that institution building deserves further effort. However the Czech case study shows how the picture is more nuanced and there are instances where the institutional framework already appears very strong;
- the development of detailed statistics remains a problem area especially in the fragmented sectors, although not necessarily worse than in the EU-15 (see section 4.5 below for reference);
- there still seems to be a substantial need to improve communication on EU policies (a message that has also emerged through the Country Reports in Volume II).

**Country Reports and Telephone Interview Programme.** There are a considerable number of FBI stakeholders that lack direct experience with NMS and have formed their opinions based on second-hand information or rumours. The current attitude wavers back and forth between two schools of thought: those that see enlargement as an opportunity for growth and those who see it as a competitive threat.

- Enlargement as an opportunity.** This point of view is founded on the idea that along with enlargement come possibilities for new investment, collaboration and joint ventures, expanded labour force, low production costs, and above a broader market and increasing demand. Large companies (especially in the pulp and paper field) are the main supporters of this view. Many are already operating in the New Member States and will not see any significant changes with the formal entry of these States into the EU.

- *Enlargement as a threat.* This point of view is founded on the risk that the New Member States will have an unfair advantage and that competition will be distorted in favour of them. In particular there is concern regarding supposedly less stringent regulations in the environmental and occupational safety and health fields, and the unfair competitive advantage that this entails. This view is more frequently held by SMEs in the woodworking and printing industries.

## Conclusions

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### The Specific Evaluation Questions on Enlargement.

*Q. What actions have been taken in the accession countries to enhance institution building?*

**A.** A number of EU-funded cooperation programmes have taken place in the various fields to support institution building and industrial cooperation. The picture, as far as bilateral cooperation initiatives are concerned, is much more varied. While Scandinavian countries have been working on institution building or other forms of technical assistance with the EU-10, evidence from the country visits seem to indicate that many other countries in Western and Southern Europe (Italy, the UK for example) have had much more limited contact with institutional counterparts in the New Member States.

*Q. How up-to-date and accurate is the FBI related statistical information in accession countries?*

**A.** Statistical information is deemed fairly up-to-date and accurate, as far as forestry data are concerned (but in some countries there are substantial environmental NGO reservations on data on illegal logging). It is not necessarily as well developed at the industry level where one usually finds business associations responsible for gathering and processing information. Data can be good in concentrated industries, but is of much lower quality in fragmented sectors where the lack of a strong network of industry representation hinders data collection.<sup>25</sup>

*Q. Are accession countries aware of the effects of EU FBI policy objectives?*

**A.** Accession countries do not have an across the board awareness of the EU FBI policy objectives. While the law makers, civil servants and government officials in general are fully aware of the EU FBI policy objectives, as well as large and concentrated mainly foreign-owned industries, the same cannot be said of the world of small sawmills or print shops, where awareness about EU policies and their consequences is reportedly very limited, if existent at all.

*Q. Has any verification been made of the real accession country readiness in FBI?*

**A.** EU Accession Reports have been published on a yearly basis and provide full updates about the level of *Acquis Communautaire* reached by each New Member State. During the research fieldwork, no concerns were raised regarding the accuracy or reliability of these reports.

*Q. To what extent has the accession countries transposed and implemented EU legislation related to the FBI sector?*

**A.** The transposition and implementation of EU legislation has been completed in all New Member States, at least on paper, except for some environmental policies for which the EU-10 have a larger time window for adoption of the *Acquis*. However, FBI practitioners are aware that the linguistic aspect of this transposition process has been fairly complicated. The New Member States had to translate a great deal of legislation into their national languages in a very short period of time and in many cases, the more subtle issues, details and priorities of each legislation has been lost or modified in translation resulting in NMS legislation that may not necessarily fully resemble the original. The definition of common terminology remains an open issue.

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<sup>25</sup> In the printing sector, considerable gaps are perceived to exist in industry statistics across Europe, and not just the NMS, caused in part by the small size of many firms that fall below compulsory statistical provision. However in the NMS, one of the key gaps relates to information on foreign subsidiaries, which often are key players not members of local federations and are not included in industry statistics compiled by local federations.

### Likely Future Issues

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There are a considerable number of survey respondents who think that the FBI Communication fails to address some important policy needs created by the enlargement. These policy issues include:

- ◆ *Checking the dominant role of the State as a supplier of wood.* The accession process requires a profound investigation of the role played by the State in the supply of raw materials and a careful monitoring of possible abuses of dominant positions in certain regional markets. This was a potential risk already in the EU-15 for the role played by State ownership of forests in several Member States, but is even more so in an enlarged Union.
- ◆ *Facilitate an economically viable private forest ownership structure.* The enlargement has made the fragmented nature of private forest ownership in Europe even more visible and mechanisms should be found to let the private sector play a role in the management of forests. This would also counterbalance the dominant position of the State.
- ◆ *Better tailoring of EU subsidy schemes available.* EU SME subsidy mechanisms, as they exist today, are in some respects poorly adapted to address the real needs of beneficiaries in the New Member States. The lesson learned with SAPARD is expected to extend to all Structural Funds in the future. The main issue raised is that the funds are available on a reimbursable basis and the New Member States lack mechanisms to bridge advance financing.
- ◆ *Increased communication and awareness-raising about EU instruments available.* Substantial communication and awareness-raising efforts are needed in the FBI sectors (and in particular the more fragmented sectors) in order to inform FBI players in the New Member States regarding EU support instruments available and EU policies in general.
- ◆ *From transposition of the Acquis to monitoring compliance.* Now that the bulk of the *Acquis* has been transposed the task of the Commission should switch, as for all Member States, to monitoring actual compliance. It is mainly fragmented industries such as sawmilling and printing that are concerned with the possible market distorting consequences of lack of compliance with the *Acquis* and pay great attention to the implications of enlargement.
- ◆ *Improve industry representation for SMEs.* The smaller companies in the EU-10, mainly operating in woodworking and printing suffer from a lack of national representation at the industry level. The EU-10 does not have the same structure of industry level federations that represent the needs of the individual companies as in the EU-15. The reasons for this are two-fold: i) a lack of financial resources and ii) the negative connotations associated with associations and any form of "cooperatives." One is more likely to find thriving medium-sized companies that bypass the possibility for national level representation to become members of the sectoral EU federation, but this solution is available only to the few, and possible for certain European Federations only (for example, INTERGRAF only admits national associations). This is already a matter of concern for some European Federations.



## 5.1. SUSTAINABLE DEVELOPMENT,<sup>26</sup> ENVIRONMENT & ENERGY

### Background Information: Putting the Evaluation into Framework

**The FBI Communication and Sustainable Development, Environment & Energy.** The improvement of the FBI environmental and energy performance and the development of coherent, predictable and competitive environmental legislation, as well as of voluntary environmental commitment instruments was one of the main items of the FBI Communication. First of all, emphasis was put on giving industry support to the National Forest Programs (NFP) that had become a cornerstone of the EU Forestry Strategy, although it was also acknowledged they could represent a cost burden.<sup>27</sup>

Another important issue at the time, in particular for the pulp and paper industry,<sup>28</sup> was the development of the best available techniques (BAT) foreseen in the IPPC Directive. Other issues on the agenda were the legal definition of waste applied to secondary raw materials (often seen by industry as a cause of unnecessary administrative burden and costs), and the need to avoid differential treatment of wood-based materials in the packaging directive under revision at that time. Finally, further development of recovery and recycling activities was also on the agenda.

The FBI Communication stressed the importance of the FBI contribution to the implementation mechanisms of the Kyoto protocol, which clearly appeared as the revolutionary policy initiative of the moment. Ensuring energy supply at competitive prices and securing a permanent supply of wood compatible with the EU renewable energy source (RES) targets were listed as the two main challenges ahead regarding energy policy. After calling for any legislation and measures to be based on clear and objective scientific assessment and cost-benefit analysis principles, the Communication then listed six main areas for subsequent action (see text box below).

#### The FBI Communication – Recommended Action Areas

- a) improve the EU FB-IND environmental and energy performance through continuous R&D efforts, environmental and energy benchmarking and uptake of cost effective new technologies and other solutions, taking into account the particular needs of SMEs;
- b) improve waste management through a comprehensive approach including cost effective recycling, energy recovery and innovative solutions for final disposal by finding the best means and waste disposal form (liquid, gaseous or solid) to effectively reduce emissions;
- c) assess the carbon sequestration and storage effects of the EU FB-IND in the forest products and energy recovery and evaluate how, through increased use of FB-IND products, their climate change impact is improved, considering also the substitution effect of less environmentally friendly materials;
- d) support the implementation of the EU forestry strategy by contributing to promote cost-effective sustainable forest management and to set up national or sub-national forest programs and by thus contributing to establish a suitable SFM framework;
- e) identify areas in environmental and energy questions, in which value added could be reached through cost effective voluntary instruments, such as EMAS and contribute actively and competently to the legislative process;
- f) develop systematic and comprehensive reports for the EU FB-IND in the fields of environment and energy.

**A Summary of Key Developments Since 1999.** Since 1999 it is forest certification schemes<sup>29</sup> rather than the implementation of the NFP that have dominated the sustainable forest management debate and

<sup>26</sup> The title here mirrors the original headings of the Communication. A more precise definition would have been sustainable forest management.

<sup>27</sup> The Communication maintained that according to estimates, the average cost impact of SFM and SFM designation could add between 8 and 20% to the costs of wood as raw material.

<sup>28</sup> In 1996 the European Commission promoted a project for specifying the IPPC Directive for the graphics industry. To ensure its implementation INTERGRAF and EGF co-operated on a research initiative to identify the Best Available Techniques in pollution prevention and control.

<sup>29</sup> Since 2000 there has been a huge increase in the total area of certified forests in Europe where an estimated 40-55% of active forests in the EU are already certified. There are two main competing schemes on the market the FSC and PEFC.

the emphasis has therefore switched from NFP implementation and its consequences on FBI towards the harmonisation of forest certification schemes, their costs and economic return.

All in all, the IPPC directive implementation process has gone smoother than expected in the pulp and paper industry, also because of the relative flexibility in its interpretation allowed by the BAT principle itself.<sup>30</sup> Its extension to the printing industry is now under preparation and BAT guidelines have been prepared also with Commission assistance. There are concerns within the printing industry that because of some definition issues, the target group covered by the IPPC will be larger than expected and will also include a sizable number of SMEs. Some substantial problems have remained regarding the definition of waste: many wood-based secondary raw materials still have the status of waste.<sup>31</sup>

The FBI Communication did not achieve any notable result in modifying the Packaging Directive along the lines the FBI would have liked. The FBI still complain that they have been put at a competitive disadvantage not necessarily because they must achieve higher standards than the other industries, but because competitors have been spared the real cost of their environmental burden on society. And this is all the more ironic as the industry thinks it has lost market shares because it is wrongly perceived as being environmentally harmful. Paper products still have the largest share of the packaging market in the world, mainly for food and beverage packaging (paper packaging: 34% followed close behind by plastics: 30% and metal: 25%) but since the issues of global deforestation took the front lines in the early 1990s the industry has suffered in the eyes of the public because of its relationship to the environment. Other competing industries such as plastic and aluminium have thus profited in comparison by promoting themselves as being environmentally friendly substitutes to the wood and paper products. In actuality, paper and wood products come from renewable sources, its waste has the potential for recycling, and its use of energy and polluting elements is small in comparison to other sectors.

Liberalisation of the energy market has just started, but is still deemed largely insufficient in high price energy countries. Generally speaking, increased prices for energy remain a cause of concern.

It is still unclear what the final developments of the Kyoto Protocol will be. There is a fear among some FBI representatives that, in comparison to the rest of the world, they will have to unfairly endure high costs of compliance for achieving targets. The controversial carbon sink mechanism could have a huge impact on FBI, but the principle has not been really agreed upon yet and international negotiations on what types of forestry projects might eventually be included have not come to an end. For the time being the newly adopted EU Greenhouse Gas Emission Allowance Trading (GGEAT) directive deals with CO<sub>2</sub> emissions reduction only and affects only the pulp and paper industry. At present<sup>32</sup> the GGEAT does not include "carbon sinks" which are deemed by some to be of a temporary and allegedly reversible nature. Finally, the Commission made a proposal for a new regulatory framework for chemicals, REACH,<sup>33</sup> that quickly became a highly controversial matter, particularly for the pulp and paper and printing industries.

The EU has also recently adopted a new directive on public procurement that leaves some more room (although not to the extent wished by environmental NGOs) to the so-called "green procurement practices."<sup>34</sup> These have been autonomously adopted by a number of MS. It is unclear whether these practices will also be challenged in the next round of WTO negotiations as some countries have announced.

**Selected Actions Undertaken by the European Commission and the European Federations.** Since the FBI Communication was published, DG Enterprise and the FBI unit have implemented various actions regarding sustainable development, environment and energy and they continuously work with DG Environment on cross-cutting issues. Actions undertaken in respect of the first Action Area include:

- ◆ a study on setting BAT principles for the pulp and paper industry,
- ◆ the initiation by the Commission of the Enhanced Use of Wood (EUW) Working Group to identify barriers to the use of wood and to examine solution areas. The Working Group devised and

<sup>30</sup> To this aim the Commission organised an exchange of information between Member States and the pulp and paper industry concerned which was summarised in the Pulp and Paper BREF (best available techniques reference document)

<sup>31</sup> Although significant national variations remain when it comes to specific by-products, such for instance as sawdust.

<sup>32</sup> A proposal for a Directive amending GGEAT with a view to link it more closely to the Kyoto Protocol's project mechanisms (the "linking" Directive) inclusive of the "carbon sinks" is under discussion in Council and Parliament.

<sup>33</sup> Registration, Evaluation and Authorisation of Chemicals

<sup>34</sup> "Green" procurement makes privately issued environmental certifications, typically forest certification schemes, a prerequisite for tendering. The directive now makes explicit reference to certification and eco-labelling, a wording which is perceived by some as an "inappropriate" sponsoring of certain voluntary schemes only.

contributed to a significant study on effects of national building legislation on use of wood as well as work on pioneering work on education and training,

- ◆ the creation of RES Working Group by the Commission, following industry concern regarding MS implementation of RES measures, which led to a report contributing to the Community Biomass Plan,
- ◆ Commission input to a series of RTD projects under FP5 and FP6 on environmental issues launched by the FBI federations and members, covering areas such as sustainable forest management, biodiversity and carbon research (with an estimated value of almost €90 million),

Regarding the improvement of waste management CEPI has co-ordinated and implemented a voluntary industry commitment to increase the rate of recycled paper, with half of the input in paper now comprising recycled materials. To address the carbon sequestration and storage effects of FBI projects, the Commission has set up an expert group under the Advisory Committee. This group worked between 2002 and 2003 and will resume work again in 2005 to provide the EC with further input on climate change policies and their specific effects on FBI.

Regarding supporting the implementation of the EU Forestry Strategy, the Commission has recently published a working draft of a Staff Document on the implementation of the strategy, with the report finding that most Member States have a national forestry strategy in place, including measures to promote sustainable forest management. The F-BI European Federations and DG Enterprise have also worked together in the Waste, Energy and Biomass Working Group to prepare the 2003 FBI-Forum on the subject and contribute to the TSEUR meetings.

Finally, regarding the development of systematic and comprehensive reports for the EU-FBI in the fields of environment and energy, the Commission and the federations have produced numerous reports, including:

- ◆ European Commission reports on sustainable development, including i) A pulp and paper study covering environmental and energy issues; ii) Sustainable Forestry and the EU, 2003; iii) a chapter on sustainable development in the EU manufacturing industries within the 2002 European Competitiveness Report; iv) a Comprehensive Report in 2002-2003 regarding the role of forest products for climate change mitigation.
- ◆ Numerous FBI industry reports, including
  - ◆ a 2002 report on the sustainable use of natural resources along the life cycles of wood-based products (CEI-Bois, CEPI, CEPF),
  - ◆ a report on the European Paper Industry on the Road to Sustainable Development (2002, CEPI),
  - ◆ an implementation report on the Strategy for the Sustainable Use of Forest Resources in Europe (2004, CEOI, CEI-Bois, CEPF)
  - ◆ a study on the future wood supply from European forests (2003, CEPI)

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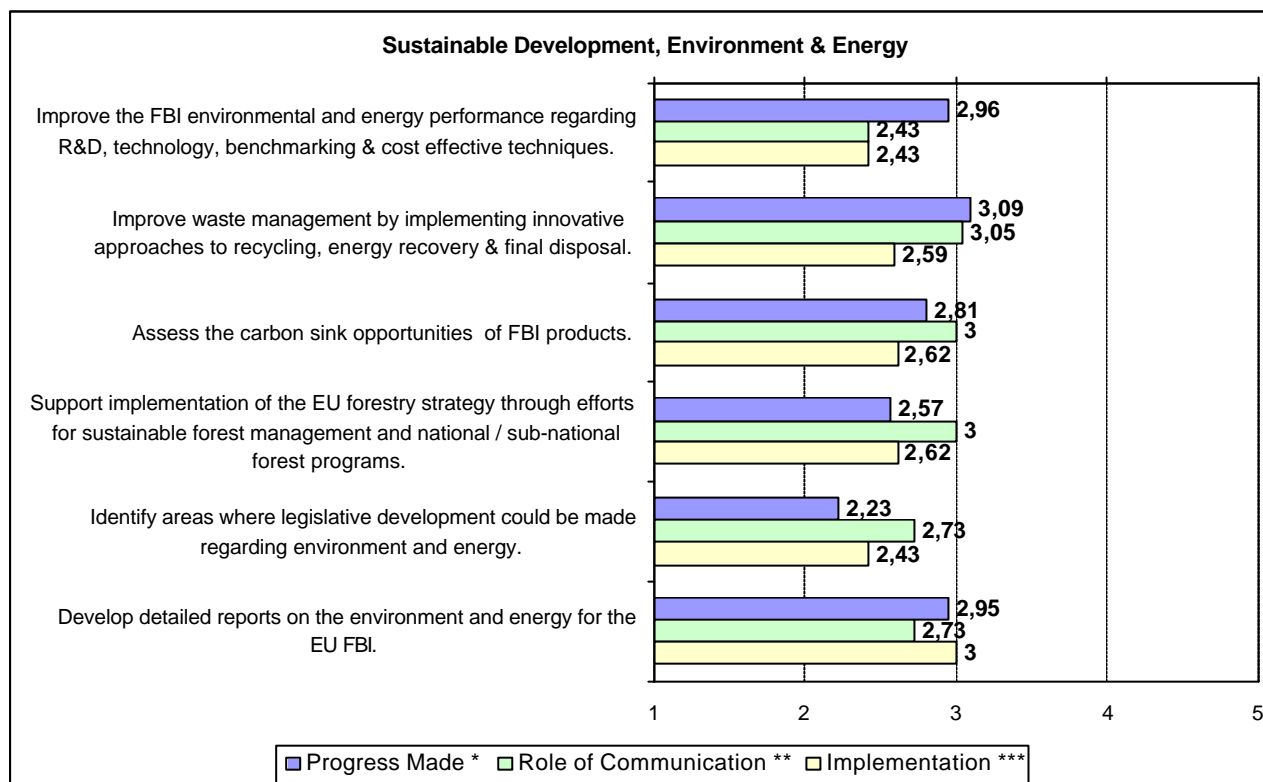
## Summary Evaluation Findings

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**The Nature of the Proposed Action Areas.** As with the other action areas, the FBI Communication is fairly broad and general in defining its proposed actions, which are aimed at a number of potential recipients including first of all the industry itself, their associations, national governments and in some areas the Commission both directly and indirectly as a facilitator of policy discussion. For instance, DG Enterprise has constantly steered the agenda of the Advisory Committee's Working Group on Environment Climate Change and Energy and Environmental. Some of these important issues have been included in the agenda of all FBI Forums so far (climate change in 2000, impact assessment of environmental regulation in 2001, energy and bio fuels in 2003).

It is worth noting how most of the proposed actions emanate from the policy priorities at that time: the IPPC directive, the Kyoto Treaty, the Forestry Strategy, etc., and therefore had different levels of relevance to the various FBI cluster components. Nevertheless, they were articulated as if they were equally relevant to all the industry. This is not without consequences when it comes to interpreting results. It is worth mentioning that the opinions reported in the questionnaire reflect the FBI views from their competitiveness point of view and do not necessarily reflect the interests of society at large.

**Questionnaire Survey Programme.** It is the prevailing opinion with the FBI<sup>35</sup> that sustainable development, the environment and energy used to be and in the future are bound to remain, the single most important policy area of concern to the industry. There are notable variations on the degree of appreciation between the various components of the FBI cluster. This also depends on the real impact the policies have had on the various FBI industries, which is clearly higher for the pulp and paper and printing<sup>36</sup> industry than for woodworking or packaging. The graph below reports the respondents' assessment of the degree of progress reached in the various areas of the Communication.



\* Progress Made: 1: no progress, 2: little progress, 3: medium progress, 4: good progress, 5: major progress

\*\* Role of the Communication: 1: no influence, 2: modest influence, 3: some influence, 4: important influence, 5: driving factor.

\*\*\* Implementation: 1: very difficult, 2: difficult, 3: medium, 4: easy, 5: very easy.

#### Comments on the Survey Feedback:

The following points should be noted in respect of the survey feedback for each of the action areas:

- environmental and energy performance is mainly an industry responsibility. The assessment of the European Federations and of the pulp and paper industry is higher than the average and probably reflects results from the implementations of the IPPC directive. The EC has also indirectly contributed through their Framework Programme-funded RTD projects and the results probably also incorporate some degree of dissatisfaction with the extent existing opportunities have been exploited;
- the improvement of waste management is again a primary industry responsibility and survey results from the European Federations show an appreciation of a higher degree of improvement;
- in spite of the preparatory work carried out by the Commission and reported in the related Comprehensive report, as well as of the research work carried out by others (CEI-Bois road map and others pointing at wood products as "carbon stocks"), the scientific uncertainties around the issues of carbon sinks have probably contributed to their relatively modest scoring;
- the implementation of the sustainable forestry strategy has been a primary responsibility of the MS and the forestry sector and is presently being reviewed by the Commission. The score reported here is likely to reflect its perceived lack of relevance to FBI competitiveness purposes vis-à-vis other privately-run sustainable forest management certifying instruments;

<sup>35</sup> It is only European Federations who think that globalisation will be slightly more of a key issue. However, there is a broad horizontal consensus on deeming the importance of the environment and energy issues as bound to grow.

<sup>36</sup> The printing/graphics industry has been affected by environmental regulations limiting emissions into the air (VOCs) generated by gravure printing and web-offset and by the related occupational health and safety implications.

- e) over the last few years there have been some initiatives to have voluntary commitments as instruments of environmental and energy policy (the 2000 declaration on paper recovery<sup>37</sup>, the introduction of EMAS) and others are in the pipeline (e.g., the CEPI 2005 voluntary commitment on CO2 emissions). Nevertheless there remains within the FBI a widespread perception that voluntary commitments are insufficiently used as a replacement of “over-regulation”
- f) while the European Federations give a much higher score here, in part because of the various initiatives that they have undertaken across various environmental themes ranging from certified to CO2 emissions, biomasses and energy use (e.g., CEPI’s report on The European Paper Industry on the Road to Sustainable Development, which fulfils this objective), it remains to be seen whether results indicate a lack of development or problems with dissemination.

**Case Studies and Phone Interviews.** There are some policy areas where the FBI appear divided in their approach to problems. For instance, while big industry is more favourably inclined to the idea of using the Kyoto mechanisms<sup>38</sup> not presently incorporated in the EU GGEAT Directive as a basis for an innovative industrial policy, SME representatives appear much more sceptical about the possibility of micromanaging carbon sink rights and concerned that this could end up in arising false expectations or, even sheer market speculations.

Clear conflicts of interest lie at the ground of diverging opinions on wood for renewable energy. While the pulp and paper industry and panel makers are concerned about renewable energy use because for them it represents competition for their source of raw materials, sawmills and forest owners obviously tend to be much more in favour, because for them it represents an additional source of income.

Paper recycling targets<sup>39</sup> have been among the few new voluntary environmental commitment mechanisms put in place since 1999<sup>40</sup>. Conversely, there has been a notable increase in the use of certifiable voluntary environmental schemes.<sup>41</sup> ISO 14001 appears relatively more and more widespread even in Southern Europe, also EMAS, after its false start, is more and more accepted and used. Only the Ecolabel (which reportedly was initially not particularly well accepted by the FBI representatives in Brussels) is missing clear evidence of a take-off. It is little doubt that the increased diffusion of these voluntary standards has contributed to enhancing the environmental performance of the FBI. Now the point appears whether certification should be granted to best practices only or should be allowed as a mechanism to induce mass improvements.

There are highly conflicting patterns of requests for more or less EU-driven harmonisation of environmental regulation in Europe. It is widely acknowledged that there are substantial differences in the way EU environmental legislation is actually implemented in the various Member States. However, some FBI representatives in countries with stricter environmental standards alternatively have asked for more EU harmonisation or more flexibility at the national level. Similar diverging patterns can be found in countries apparently having laxer environmental standards.

The EU has also recently adopted a new directive on public procurement that leaves some more room (although not to the extent wished by some environmental NGOs) to so-called green procurement practices.<sup>42</sup> These green procurement practices have been autonomously adopted by a number of Member States. It is unclear whether these practices will also be challenged in the next round of WTO negotiations as some countries have announced.

Although FBI industrial associations are understandably reluctant to admit this in their official documents, FBI industrialists are ready to acknowledge that, up to certain point, environmental regulation and high

<sup>37</sup> CEPI, European Recovered Paper Council, European Federation of Corrugated Manufacturers and European Recovered Paper Association.

<sup>38</sup> The Kyoto protocol allow the possibility of getting credits for carbon sequestration through afforestation, reforestation, as well as of losing them through deforestation.

<sup>39</sup> In 2000 the European Declaration on Paper Recovery was launched as a voluntary self-commitment scheme to increase and promote recycling. In the printing industry in some of the EU-15, environmental measures have been adopted following co-operation between government and national federations to agree optimal measures for environmental protection. INTERGRAF, the International Association for the Graphic Industry, has also worked with the European Commission to identify appropriate directives in this area. It has also produced documentation for printers through its publication ‘Printing and the Environment’.

<sup>40</sup> Probably one of the most notable ones has been the voluntary agreement entered by energy-intensive pulp and paper industries in Sweden to avoid taxes on energy.

<sup>41</sup> The printing industry reportedly still has some resistances in entering these schemes for various reasons (e.g. the sheer composition of the inks is secret, etc). A controversial eco-label for printing is under preparation at the EU level after it was launched in the Nordic countries.

<sup>42</sup> “Green” procurement makes privately issued environmental certifications, typically forest certification schemes, a prerequisite for tendering.

energy prices can work as a spur for competitiveness. For instance, Scandinavian producers maintain that they have profited from their early environmental investments. Some companies in Italy, where the price for energy reportedly is the highest in Europe, have on average developed highly energy efficient processes that have made subsequent compliance with BAT principles somewhat easier. Conversely, many in the FBI are also rather scared of the potential disruptive effect of environmental regulations on their sector. Although there is widespread empirical appreciation of the importance timing and learning curve effects have on the ultimate impact of environmental measures on competitiveness, as well as the big difference in terms of impact between requirements for capital investment costs and sheer additional burden on current expenses, very little consideration has been given to these aspects in the studies informing the policy making process so far, and they have hardly ever explicitly entered the policy debate.

## Conclusions

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### **The Evaluation Questions on Sustainable Development, Environment & Energy.**

**Q.** *How much has FBI environmental and energy performance been improved through industry efforts in environment and technology?*

**A.** There has certainly been a notable improvement, although its size and scope vary between the MS, also reflecting the different starting points. Generally speaking, air and water emission improvements per unit of output have taken place more consistently than increased energy efficiency. The pursuance of the latter has been relatively more difficult in countries with efficient energy markets and a low cost for energy.

**Q.** *How much has FBI waste management been improved, especially regarding recycling and energy recovery?*

**A.** The European FBI is at the forefront in the field of recycling in the world and paper recovery has substantially increased since the 2000 European Declaration on Paper Recovery.<sup>43</sup> Countries lacking direct access to raw materials are making more progress than large pulp producers and recycled corrugated board has become the main raw material for packaging even in the CEECs. It is the availability of recovered paper that has increasingly been a potential bottleneck.

The picture, as far as energy recovery is concerned, appears more varied. While Scandinavian producers are very advanced in this field,<sup>44</sup> Southern Europe is making less progress. This is also because of competition from strong panel and particleboard producers in the use of secondary raw materials. The industry is committed to bring the share of bio-masses in primary energy consumption from 49% to 56% by 2010.

**Q.** *Has the implementation of the EU forestry strategy been supported?*

**A.** In spite of its non-binding nature, over the last five years, good progress has been achieved in the preparation and implementation of NFP often with substantial FBI support, although with some differences in the various MS. However, at present, the real market interest is admittedly concentrated on forest certification schemes rather than NFP that are deemed poorly known to the public.

**Q.** *Is the FBI aware of existing environmental and energy questions?*

**A.** Environmental and energy issues are very well known and widely debated in FBI industrial circles across Europe. Specific considerations on the NMS are reported in the section on enlargement.

**Q.** *Are there recent studies on the status of environment and energy for FBI?*

**A.** A number of studies have been commissioned at the national and European level, and the associations constantly monitor the situation. The accuracy of these studies and the quality of available data ultimately depends on how representative associations are at the national level, as information is typically gathered from members only. Some studies on impact at the national level have been carried

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<sup>43</sup> With Declaration the European paper industry voluntarily pledges to increase the recycling rate to 56% by 2005. The European Recovered Paper Council (ERPC) was set up after to monitor the progress.

<sup>44</sup> For example, according to FFIF data, approximately 70% of the fuel used by the Finnish paper mills is wood and bio energy (a combination of bark, wood chip, black liquor and other wood-based fuels)

out (e.g. energy), but the overall impression elicited from interviewees is that less is known about the details of specific impact of EU legislation at the national level than at the European level.

### **Likely Future Issues**

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The questionnaire survey shows how these are areas where policy needs already were more extensively covered in the FBI Communication and therefore need very little update. In fact, it is the development of coherent, predictable and competitive environmental legislation already highlighted in the Communication that is by far the FBI main concern, and requests for future improvements focus on:

- ◆ *Improved consistence, simplification & streamlining of existing environmental and energy legislation.* For instance, the newly introduced emission trading mechanism would be in contradiction with increased energy co-generation and recovery objectives. The present EU-emission trading scheme would reportedly not adequately consider the environmental and energy efficiency benefits of the heat co-generation widely used in the pulp and paper industry and in the presence of not fully competitive energy markets would risk giving windfall profits to energy producers from fossil fuels.<sup>45</sup> Much in the same vein, support to thermalvalorisation of wood-related waste would reportedly contrast recycling objectives by creating an artificially supported competing market and REACH would overlap with other existing food safety regulations.
- ◆ *Better assessment of impact on competitiveness.* All in all, there is a very strong overall request for a better pre-emptive assessment of impact of proposed environmental policies on competitiveness. For instance, the proposed "static" emission trading directive would have substantially underestimated its competitiveness on the "growing" pulp and paper industry and would have created windfall profits for the energy industry. Also the proposed REACH directive would not have sufficiently considered cost consequences and impact on working processes (e.g., discontinuation of major inks and cleaning agents in the printing industry). This is partly due according to some to insufficient access to the consultation process when impact assessment is carried out.
- ◆ *More detailed appreciation of the market-related aspects of environmental measures.* So far environmental policy has been mainly focused on overall targets to be met and relative incentives. However, there is an increasing request from industry to better appreciate the more specific and detailed market dynamics to better fine-tune proposed measures and limit potential distortions. More in particular, the support for wood for energy should target supply rather than demand.<sup>46</sup>
- ◆ *Support the simplification of environmental certification schemes.* There are too many competing environmental labels and certification schemes on the market. This results in substantial overlapping and sometimes-unclear real added value *vis-à-vis* already existing regulations. Moreover, there is the risk of engendering substantial confusion in the consumer. There is strong support within the FBI for mutual recognition of transparent and consistent schemes. Although the prevailing view is that the market will self-regulate itself, and for the time being the public hand should not interfere but instead should provide external support, many would like to see a direct public intervention if this self-regulatory process eventually fails.

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<sup>45</sup> See the May 2004 CEPI position paper: *Yes to Emissions Trading but not to Windfall Profits* for further reference.  
<http://www.cepi.org/files/pospapwindfallprof-084535A.pdf>

<sup>46</sup> As bio-energy plants are being subsidised, many think that these subsidies should be better allocated to the mobilisation of greater collection of larger quantities of wood (e.g. wood thinning of young stands), and not cover the end products, as this creates distortions.

## 5.2. ACCELERATED TECHNOLOGICAL EVOLUTION AND ITS IMPACT FOR HUMAN RESOURCES

### Background Information: Putting the Evaluation into Framework

#### The FBI Communication and Technological Evolution and its Impact for Human Resources.

Technological Innovation and its impact on Human Resources is the fourth policy area reviewed in the 1999 FBI-Communication. It was foreseen that the information and communication revolution would likely exert an increasingly important influence on the FBI sectors and the R&D effort was acknowledged as a major determinant of future competitiveness. The context in which the FBI Communication was published is worth noting: in 1999 the internet boom was taking off with the associated prediction by many that this new medium would transform the rules of business. For the FBI sectors, the increasing cost of staff with ICT skills and the perceived negative image of their sectors risked being further exacerbated as ICT staff were attracted to more modern, fast-moving sectors. The text box below contains the specific action areas set out in the Communication:

#### The FBI Communication – Recommended Action Areas

- a) contribute effectively to the overall objectives and RTD priorities of the 5<sup>th</sup> Framework Programme for RTD and national programmes;
- b) disseminate in an efficient and effective way information on research results, best practice and solutions, thereby enhancing the technology innovation transfer process and ensuring its monitoring;
- c) investigate the advantages that the Information Society, the use of ICT and electronic commerce could offer the FB-IND;
- d) monitor the uptake of new technology and ICT;
- e) create incentives to encourage innovation in the FB-IND;
- f) make available information about the FB-IND at schools using also the new media;
- g) contribute to the development of technical and university level programmes to increased FBI attractiveness;
- h) develop and improve vocational training and retraining possibilities, contributing to lifelong learning;
- i) investigate the value added of total quality management within FBI, especially SMEs and define training needs.

**A Summary of Key Developments Since 1999.** The FBI Communication emphasised the increasing prevalence of lower-cost third country competition and the importance of technological innovation and ICT as a means for EU FBI players to maintain their competitive position. Since 1999, industry development has not contradicted this perspective and FBI have continued to invest heavily in new technologies and process improvements.

According to the Draft of the Commission Staff Working Document regarding the EC Communication on the implementation of the EU Forestry Strategy, research related to forestry and the forest-based industries within FP5 has included over 60 research projects involving more than 500 participants between 1998 and 2002, with important programmes being the Quality of Life Programme (QoL), and to a lesser extent the EESD, GROWTH and INCO programmes.<sup>47</sup> It was reported that 122 projects had been co-financed by FPF to the tune of €142 million, with almost 50% of these projects being co-financed under the QoL programme (key Action 5.3.)<sup>48</sup> Evidence available suggests that participation levels will drop significantly during the 6<sup>th</sup> Framework Programme. Much more recently, CEPI, CEPF and CEI-Bois have launched plans for working together on a Technology Platform, with a view to positioning their sectors as the shape and form of the EU's 7<sup>th</sup> Framework Programme (FP7) begins to be discussed and defined.

<sup>47</sup> EESD (Energy, Environment and Sustainable Development); GROWTH (Competitive and Sustainable Growth); INCO (International Co-operation Programme)

<sup>48</sup> A complete list of projects co-financed is necessary in order to calculate how many of these projects have been FBI projects, as opposed to forestry projects.



What has changed since 1999 and the internet bubble concept is companies' perspectives on the extent to which new technological innovation can have a real impact on their businesses. Technological innovation appears often not to be seen as a platform for industry leadership by individual companies, but instead it is the minimum that needs to be done in order to secure a competitive position. Some anxiety exists about the potential competitive threat of third country players (e.g. China) where latest technological innovations can be appropriated to a much lower cost structure than their European competitors. Many EU players consider that they need to continuously invest and innovate in process improvement, customer oriented product development in order to retain a competitive edge.

The effects of technological development have also varied from sector to sector within the FBI cluster. In the pulp and paper industry, the majority of technological innovation has been around process improvement, while in the printing industry it has spawned the development of competitors that did not exist previously, such as the internet. Some initial fears regarding technological development have disappeared for the time being: such as the fear in the paper industry that the technology revolution would reduce the demand for paper.

**Selected Actions Undertaken by the European Commission and the European Federations.** Since the FBI Communication was published, DG Enterprise and the FBI unit have implemented various actions regarding technological innovations and human resources. According to EC figures, the Commission has partly financed a total of 124 RTD projects (contributing 146 million EURO through FP 5 and FP 6). Five of these international RDT projects have involved FBI. In addition, the FBI unit has assisted stakeholders in the preparation of RDT proposals, as well as providing input to DG Research and COST when requested. Regarding the EC and FBI unit involvement specifically in IT, it is necessary to mention the various initiatives including studies on staff development and training in ICT among SMEs, and the development on a web-site for students to increase interest in FBI. More recently the Commission has assisted the FBI federations in their efforts to develop an FBI Technology Platform (TP) which also includes the sustainable forest management dimension and CEPF.

A perceptions study by DG Enterprise has helped underline the challenge faced by the FBI sectors in developing a more positive perception of their sectors, in particular towards young persons, and the link with the technological innovation challenge was highlighted through the Study's findings on young persons' general perceptions of low-tech industries. The Commission has contributed to making information available on the FBI, developing its own website as well as promoting a number of youth-focussed awareness-raising initiatives (see Section 4.6). While the development of university and technical-level education programmes is ultimately the responsibility of Member States, the Commission is contributing through an ongoing study on the supply and demand for relevant education and training programmes in some Member States.

Regarding HR development, in the printing industry, a project<sup>49</sup> was initiated to teach working individuals along the printing production chain about activities going on upstream and downstream from them. Another study was undertaken to examine more harmonised staff positions within the sector in the EU-15. EC support has also been provided for a workshop in the printing sector looking at strategic and competitiveness issues, including technological innovation.

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## Summary Evaluation Findings

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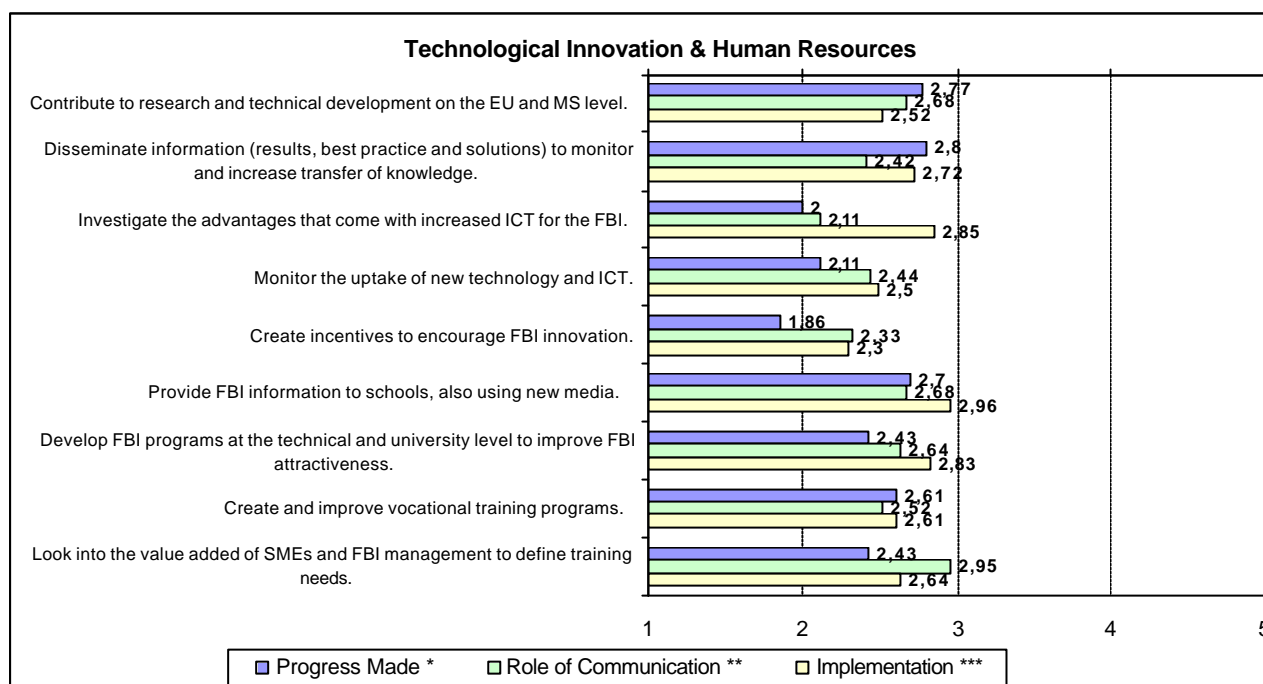
**Nature of the Action Areas.** The FBI Communication lists a number of fairly generic action areas addressed to an unspecified group of possible recipients inclusive in the majority of cases of the industry itself, its associations, with some major contributions also from national governments, their R&D support structures and academic institutions. It must be noted that given the broad scope of the action areas indicated, there have been a number of developments since 1999.

**Questionnaire Survey Programme.** For both EU and national FBI federations, investment in technological innovation is perceived to be a more important competitiveness factor now in 2004, compared with 5 years ago, and its relative importance is also expected to increase between now and 2009. It is worth noting that investment in technological innovation is perceived as substantially improved across the board, although the views of the pulp and paper industry are less positive than other FBI sectors. FBI Federations perceive a slight decrease in the relative importance of human capital and labour productivity as a competitiveness factor over the last 5 years, and they anticipate that its importance will increase slightly over the next 5 years.

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<sup>49</sup> The *Digiprint* project, supported under the EU's 5<sup>th</sup> Framework RTD Programme.

As in the case of most of the other Action Areas, national federations perceive that the importance of the Communication's recommendations in the area of technological innovation has increased since 1999, and will increase further in importance between 2004 and 2009. As reported in the graph below, there is a perception of an average progress has been in most of the action areas under scrutiny.



\* Progress Made: 1: no progress, 2: little progress, 3: medium progress, 4: good progress, 5: major progress

\*\* Role of the Communication: 1: no influence, 2: modest influence, 3: some influence, 4: important influence, 5: driving factor.

\*\*\* Implementation: 1: very difficult, 2: difficult, 3: medium, 4: easy, 5: very easy.

#### Comments on the Survey Feedback:

The following points should be noted in respect of the survey feedback for each of the action areas:

- a) 'contribute' to the 5<sup>th</sup> Framework Programme and national research programmes is a very generic objective. However it is widely acknowledged that the FBI participation to these programs has been below expectations both because of industry organisational weaknesses and, especially in the case of the 6<sup>h</sup> Framework Programme, because of the categorisation of research areas that was poorly adapted to FBI's needs;
- b) Linked to the point made above, perceived weaknesses relate not only to FBI participation levels in research programmes, but also to the dissemination of RTD results when available;
- c) a comprehensive exploration of ICT's potential advantages for industry appears a fairly challenging task that goes well beyond the means that are typically available to business associations. The public hand can contribute some research work (the Commission has for example carried out general studies on the up-take of ICT in industry, in particular among SMEs). Moreover, and also in the light of other answers to the questionnaire (see sections on SWOT analysis, Volume III of this report) the true level of genuine interest in the subject appears at present uncertain;
- d) the monitoring of the uptake of new technology and ICT in the industry lends itself to the same considerations as under point c) above;
- e) it is little surprise that businesses complain that incentives are insufficient for them. However, the particularly low score seems to indicate genuine problems with the existing Community and National programs to "encourage" innovation;
- f) the quite different scoring given in the various countries mainly reflect the different degree of activity of business associations and national and local government in the subject;
- g) only in some Member States has the development of curricula involved some co-operation between academic institutions and industry associations;
- h) vocational training reflects both a lack of active attitude and interest from the industry itself and the availability of human resource training programs (typically funded with ESF funds);
- i) quality management training needs appear a specification of the item above.

**Country Reports and Telephone Interview Programme.** A general perception exists that present RTD activity levels are insufficient. In Italy, FBI players consider that insufficient national funding is

available for research, and the pulp and paper industry associations have promoted the establishment of a research centre to act as a catalyst for research. Country-specific factors also exert an important influence, such as the re-organisation of the Italian Agriculture Ministry's responsibilities on a regional basis, and a perceived increase in confusion regarding bidding for financing. In Germany, the frequency of major exhibitions and fairs was considered one influencing factor on pressuring German companies in the woodworking sector to continuously develop and showcase new technological innovations.

A strong perception exists that EU Research Funding is bureaucratic and difficult to access, with this perception being more pronounced in respect of the 6<sup>th</sup> Framework Programme. However, this perceived difficulty was considered to pose less of a challenge to some players in Finland and Sweden. A general impression was also developed of a more proactive Nordic Research industry, with one example of this being that it would appear to be in part that the Nordic FBI players, in conjunction with their European federations, have driven the initiative to develop an FBI Technology Platform. In the case of Finland, one reason explaining the above may well be the fact that research activity has been considered a core part of the Finnish FBI cluster concept.

A further point made regarding EU Research funding is that the majority of the funding is perceived to be available for breakthrough research, while the principal research needs of the FBI are for incremental innovation and technological process improvement. In Italy, the European federations were found to be important initiators of participation in EU research programmes. Another constraint seems to have been the reluctance of many firms in FBI sectors to engage in collaborative research programmes where the research results would be shared (a requirement of EU co-financing).

An issue in many countries appears to be a lack even of broad aggregated budgetary information on RTD effort in the FBI sectors. In Italy, there is little systematic data available on RTD activity, and the same situation exists in the UK, Germany and the Czech Republic, with the exceptions being Finland and Sweden. Details on the single technological research lines are obviously often confidential. In the printing sector, the industry is significantly dependent on suppliers of new processes for innovation, and the same applies to the pulp and paper industry.

In the Czech Republic, the situation regarding R&D indicates a significantly different type of experience in the NMS, with a chronically under-funded research sector that has been to some extent disbanded following the privatisation process. The low level of national financial support for research has meant that scarce private funding drives research activity. As a result, the potential in EU Research Funding is perceived as having a higher level of importance. Another challenge for NMS would appear to be estimating the real level of demand for research from industry.

For HR development, poor image poses an even bigger obstacle to the recruitment of new HR talent in the Czech Republic, especially for the pulp and paper industry, with the only University providing specialised courses currently failing to enlist sufficient students to meet the industry demand. A number of adult and vocational training initiatives have and are being launched, generally without any EU funding support. In the more rural areas finding good managers for SMEs seems a real challenge, and it would appear significant work is still needed in management training for FBI SMEs.

In Sweden, research commissioned by pulp and paper companies from research institutes has tended to decline, with some larger companies bringing RTD in-house and others seeking to offload it to their technology suppliers. This has meant that an increasing proportion of RTD is in relation to shorter-term product development, with less individual company effort being focussed on process research. In the woodworking sector, there has traditionally been much less RTD activity compared to the pulp and paper sector, due in part to a more fragmented sector, smaller companies, and a reluctance to co-operate with other companies.

The Draft of the Commission Staff Working Document regarding the EC Communication on the implementation of the EU Forestry Strategy states, not too surprisingly, that the same level of Forest-related and FBI involvement has not been evident thus far in the 6<sup>th</sup> Framework Programme, and speculated that this was likely to be due in part to the size of the new FP6 instruments and the fact that opportunities for forestry and wood research are now spread throughout the framework programme rather than being focussed in a single area.

Regarding the development of human resources, the ongoing technological innovation in the FBI has meant that the skill level of many employees has been increasing, and numerous actions have been undertaken regarding the development of human resources. In Italy, shortage of skilled personnel is a significant issue. Numerous actions have been undertaken, including rebuilding a network of secondary technical schools, improvements to existing schools, as well as a number of initiatives at the university level to create FBI-related masters or specialisations. However, numerous university-level initiatives have

been discontinued due to insufficient demand and a gap remains between the skilled FBI vacancies and the level of demand for these positions, especially for university-qualified personnel. In the UK, the shortage of skilled labour is seen as the 'single biggest problem' in the FBI, with poor knowledge of FBI work opportunities and a poor image of the sector being considered key factors contributing to the situation. Various actions have been undertaken to inform people about FBI work opportunities and a number of programmes have been launched to increase the pool of qualified staff.

In Finland, availability of qualified personnel is not seen as an immediate issue, but is considered a very big issue for the future. It is not just the retirement levels out of the industry in future years that create concern, but also the perception that attracting new young personnel will be difficult, with most students preferring high-tech and environmental careers within the FBI or related industries (e.g. graphic arts in media and environmental conservation). In Sweden, while the availability of qualified staff is also considered less of an immediate concern, the woodworking and forestry sectors have experienced greater challenges in this respect.

## **Conclusions**

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### **The Specific Evaluation Questions on Technological Evolution.**

***Q.** Has the FBI made appropriate contributions to the overall objectives of the EU 5th and 6<sup>th</sup> Framework Programmes for R&TD, and to national programmes?*

**A.** The evidence from the research, in particular the country fieldwork suggests that significantly more could have been achieved in this area, in particular regarding FP6. Strong perceptions exist that accessing EU research funding is complex, bureaucratic and time-consuming, with some players perceiving the EU RTD is carried out by scientists on their own terms, with little guidance from industry. Resource constraints for national research funding would also appear to be an important constraint. Finally, the lack of a specific technology line or sector axed oriented towards the FBI cluster within the 6<sup>th</sup> Framework Programme has also been an important constraint.

***Q.** Have the results of recent studies (regarding issues such as best practice and technology development) been disseminated across FBI?*

**A.** Dissemination of best practices and technology development has taken place, although it is hard to gauge the exact impact of these studies. The message from the survey feedback suggests that while such dissemination has been useful, greater dissemination and transfer of knowledge could have been achieved.

***Q.** Has FBI fully investigated the advantages that ICT and e-commerce could offer and how has the uptake been monitored across Member States?*

**A.** Significant investment and uptake of ICT has taken place within the FBI sectors, leading to significant efficiency and productivity gains. This is likely to continue, as technological innovation and process improvement will remain core to companies' strategies for retaining their competitive position. Regarding e-commerce, its impact has been somewhat varied and diversified between sub-sectors, with impact generally being higher in fragmented industries where concentrated buyers have taken advantage of Business-to-Business marketplaces to exploit their bargaining power. In more concentrated segments of the industry, such as pulp and paper, the impact has been lower.

The research in Central Europe suggests a much lower level of ICT and e-commerce adoption, particularly within the more fragmented sectors such as woodworking. In the EU-15, mixed perceptions exist among many FBI players regarding e-commerce in some countries, for example in Italy a common complaint was heard regarding the functioning of e-marketplaces and a perceived lack of transparency in such areas such as price formation. This perceived lack of transparency on the part of users and would-be users is obviously reducing the level of adoption of e-commerce.

***Q.** Has there been any incentives that encourage increased FBI innovation?*

**A.** Initiatives have been identified that are contributing to increasing FBI innovation. Examples include the pulp and paper industry associations in Italy promoting the establishment of a research centre to act as a catalyst for research, and the Paper Federation VDP in Germany setting up a small research fund to encourage RTD activity by its members. Looking to the future, the development of a Technology Platform

among FBI players is a positive development in terms of a proactive policy towards the EU's research programmes and the discussion on how Framework Programme 7 will finally shape up.

### **The Specific Evaluation Questions on Human Resources Development.**

*Q. Are schools aware of the current status of FBI?*

**A.** The awareness of the FBI sectors and the career prospects they offer is increasing, albeit from significantly different starting points. Awareness of the FBI cluster is for example much higher in Finland and Sweden; while the image of certain sectors varies significantly between countries (e.g. the woodworking sector tends to have a more positive image in Sweden than in many of its EU counterparts). Various initiatives have been undertaken by industry associations, including, for example, a programme to attract primary school children aged 7-15 by bringing wood aspects into the different subjects, and a programme aimed at students that are about to leave school to give them information about FBI career possibilities as they try to decide what to do as adults.

In the UK for example, various school initiatives have been underway to inform students about work opportunities in FBI sectors, including the production of attractive and colourful informative booklets about employment opportunities, brochures and school programs promoting FBI as a high tech industry, and the setting up of vocational training schools. In Finland, the Finnish Forest Industries Federation has developed a website aimed at young people between 13 and 18 to get them interested in FBI as a global high tech industry. The image of the sector remains an ongoing challenge in many countries, requiring significant effort to change existing perceptions. In the UK, school programmes have been initiated promoting wood industry in terms of sustainability and environmental friendliness.

*Q. Have contributions been made to the development of operative technical and university level programmes that aim to increase the attractiveness of FBI to school leavers and graduates?*

**A.** In the various Member States a number of initiatives have been launched to develop university level programmes, however it would appear less success has been had in comparison to more operative technical programmes.

In Italy, numerous university level programmes to create FBI-related masters or specialisation courses have been launched, but some have been discontinued due to insufficient demand. In the UK, examples include Napier University Centre for Timber Engineering, while in Finland the Helsinki University of Technology has a specific degree in graphic arts technology. The fieldwork in the Czech Republic suggests that more will need to be done in the NMS to develop specialised University-level programmes.

*Q. What is the status of vocational training within FBI? Are there operative and technical programmes that contribute to life-long learning in FBI and is the work force aware of the existing programmes?*

**A.** The industry associations are an important provider of vocational training in many countries. In the UK, examples of programmes include the National Vocational Qualifications and the Professional Certificate in Print Management. One of the challenges being faced is students' preferences to train in the higher-tech end of FBI activities (e.g. graphic arts technology in printing), rather than training as technicians in the industry itself.

*Q. Have the training needs for quality management been identified, especially regarding SMEs?*

**A.** Management training initiatives are ongoing in all countries, although it is not always clear whether a clear analysis has been made of needs at a sectoral level. The fieldwork suggest that some of the most pressing management training needs exist in the NMS, where many SMEs need managerial competencies in languages and internationalisation that have typically not been required in the pre-transition era.

Overall, it appears that the FBI Communication has made some limited contribution to improve the buy-in of industry and Member States to the development of such HRD initiatives, with its impact most likely being related to helping FBI players understand that the problem was faced across the EU, and promoting knowledge exchange through some of its work in communicating a more positive FBI image.

### **Likely Future Issues**

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Regarding the comprehensiveness of the recommendations set out in the FBI Communication, there is a clear perception across the board that the policy recommendations do not cover the entire set of the

policy needs, with more than 80% of respondents considering that less than 60% of policy needs were covered.<sup>50</sup> Even in the highly capital intensive pulp and paper industry the existence of high labour costs in many EU member states will be one influence that will continue to influence companies to seek to substitute capital for labour and innovate at the technological front. Key future issues for FBI players include:

- ◆ *Insufficient access to EU RTD Funding.* FBI players perceive that the EU RTD programmes do not offer optimal support for Research and Technology Development as would be expected for a cluster of its economic weight. For many FBI firms the development of the 6th Framework Programme instruments is unlikely to have but increased their challenges in accessing funding. The Interim evaluation of the last 5 years is now underway, and it is likely that some measure will be taken to address this trend.<sup>51</sup>
- ◆ *More funding for process-related research at the FBI level.* FBI players perceive that EU Research Programmes have tended to be biased against process-related research and instead focus only on breakthrough research. In principle, a move to technology platforms and a greater industry involvement would suggest that this orientation could change somewhat.
- ◆ *More FBI involvement and consultation in the setting of EU research priorities.* This also deals with ways to secure a prominent position with the RTD landscape for the EU's 7<sup>th</sup> Framework Programme. The initiative by some of the FBI federations to launch a Technology Platform is certainly a step in the right direction, although not necessarily enough to shift RTD away from prevailing process-based research.
- ◆ *Clear understanding of where synergies exist to undertake collaborative FBI research.* More work needs to be done to understand where the common research interests are that cross FBI sectors. The work in preparing for FP7 and securing a technology platform will likely involve information gathering around this area and should be accordingly leveraged by the EU.
- ◆ *Human resource development effort in the NMS.* In the New Member States, the fieldwork suggests there are clear training needs at both the managerial and technical level.
- ◆ *Much higher dependence of NMS RTD on EU research financing.* NMS dependence on EU research funding has implications for the level of finance that can be available, as well as support mechanisms. For example NMS research players will likely need more support than their EU-15 colleagues including support across all stages of the research cycle (bid development, partner contact support, costing, negotiation, contract management, exploitation etc.).

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<sup>50</sup> One reason for this may be that some of the recommendations are perceived to be highly sector specific. This perception appears stronger in the printing industry. This % figure referred to in the text does not include the significant number of respondents who chose the 'Don't Know' response option.

<sup>51</sup> For example the 5-Year IST Panel of Independent experts is evaluating the implementation, effectiveness, achievements and impacts of investment during the years 1999-2003 - including results and impacts arising from IST Predecessors Programmes in FP 4 & FP5, and progress in implementation of IST in FP6. The Panel also assesses the evolution, future perspectives, options and requirements for future Information Society research and technology development, and is expected to submit its final report before the end of the year.

### 5.3. THE EVOLVING INTERNATIONAL AND EU REGULATORY FRAMEWORK

#### Background Information: Putting the Evaluation into Framework

**The FBI Communication and the Evolving International and EU Regulatory Framework.** This section of the FBI Communication specifically dealt with the international and EU regulations affecting the FBI, and as such could be considered a more technical description of the considerations already made in other sections of the document (globalisation, etc.). Together with the promotion of free movement of FBI-related goods and services in international fora (the WTO, the WIPO, the IFF and ISO) the FBI Communication focused on the need to check barriers to trade in national legislations and to promote product standardisation to foster intra-EU trade. The need to improve statistical information, as a support tool for a better regulatory environment was also highlighted. Although the 1998 G8 summit in Birmingham had already adopted an action plan on illegal logging, the issue was not explicitly raised in the Communication. It was the simplification of the legislative and administrative framework for SMEs being listed among the big challenges ahead.

#### Action Areas on The Evolving International & EU Regulatory Framework

- a) contribute to the adequate harmonisation of intellectual property rights rules in the borderless information society;
- b) identify and remove technical barriers to trade in the single market;
- c) ensure the monitoring and evaluation of the development, transposition and implementation of EU directives, regulations and other legal instruments;
- d) investigate how to simplify the administrative burden on SMEs;
- e) clarify and define present and future requirements for information and statistics for the whole chain of FB-IND and propose activities to this end.

**FBI Sector Developments Since 1999.** According to the latest UNECE/FAO figures, since 1999 intra-EU trade of forest-based products has kept a continuous slight increase, but not at the same pace as the growth of international trade in general. Traditionally, there has always been very little intra-EU trade in joinery, carpentry, and in the printing industry where the market is mainly domestic. However, trade flows in the printing industry have substantially increased in certain parts of Europe due to delocalisation of production to the CEECs (mainly German).

Language and transport costs remain major barriers to trade in the printing industry for the majority of EU Member States. In addition, intellectual property issues were related to publishing which is now dealt with as a service sector and is no longer considered part of the FBI cluster for EU policymaking purposes. As such it is not covered under this evaluation.<sup>52</sup>

Generally speaking, already back in 1999, the Commission acknowledged the not fully satisfactory operation of the principle of mutual recognition in a number of sectors, including the construction industry where harmonisation of building standards is still far from being reached. This was acknowledged to have an impact mainly on the *Joinery and Carpentry* industry that is still strictly regulated by country-specific standards on the physical and chemical properties of products (glues, finishes, etc.) and a specific study was carried out to assess situation in the field.

After the Commission ended its 1996-2002 SLIM initiative to streamline internal market legislation, in February 2003, a new comprehensive multi-annual programme was launched to simplify and update Community Legislation. Results achieved so far have been of limited interest to the FBI. Work has been undertaken to simplify the statistical regulation, and simplification of the waste directive is expected by 2005. By acknowledging that the existing EU directives leave considerable room for flexibility in implementation, some Member States (Denmark, the Netherlands, the UK, etc.) have taken the initiative to studying best ways to reduce administrative burden on SMEs. Some of them seem intentioned to launch a major policy initiative along these lines very soon.

<sup>52</sup> The protection of industrial design clearly remains a key issue for the woodworking industry down the wood chain.

**Selected Actions Undertaken by the European Commission and the European Federations.** Since the FBI Communication was published, DG Enterprise and the FBI unit have implemented various actions regarding the Evolving International & EU Regulatory Framework. Some of the action areas refer directly to activities that are regular responsibilities of the EC and the FBI unit specifically. These activities involve the identification and removal of hidden barriers to trade and the development (and related activities) of EU directives, regulations and other legal instruments.

- ◆ Regarding intellectual property, this is a horizontal issue, and the European Commission has already made a proposal for a European patent scheme.
- ◆ DG Enterprise has been very active in dealing with regulatory enforcement and barriers to trade (see next section), and is regularly involved in cases concerning Member State notifications. Several cases were processed, where national legislation was considered somewhat in breach of EU FBI-related legislation. While no specific working group on regulatory issues was established within the Advisory Committee, some aspects of the potential regulatory barriers to the use of wood in construction were however addressed as part of one of four major areas of work by the Enhanced Use of Wood Working Group. This was also one of the subjects of the 2001 FBI Forum and the recent CEI-Bois Roadmap exercise. In 2003, the voluntary Eurocode scheme was proposed as a way to foster harmonisation in the building industry, but some Member States have already declared they are unable and/or unwilling to implement it in the near future.
- ◆ In 2003, as a step towards a better regulatory framework, the Commission introduced a new impact assessment of proposed regulations, integrating all previously separated instruments into one common global instrument. The process is articulated into two alternative procedures, with proposals either being covered by a general impact assessment, or in the case of larger proposals an extended impact assessment. This impact assessment technique has been tried on a set of some 43 policy areas. Sectoral impact models have been developed for energy and transport, but for the time being, none are specifically related to wood. European Federations, and notably CEPI, are developing impact models to assess forest-related policies.
- ◆ Regarding clarifying and defining future statistical requirements, DG Enterprise has maintained an ongoing dialogue with Eurostat, with a view to improving statistics. It should be noted that many of the challenges here derive from national statistical reporting requirements and there is limited action that can be taken by the European Commission. Contributions have also been made by the European Commission to the UNECE/FAO questionnaire on the forestry sector. In 2002 an improved NACE statistical classification was adopted by EUROSTAT and consultations have been launched for the next NACE 2007.
- ◆ With regard to enhancing co-operation with relevant European and international bodies, the Commission and the Member States have maintained close co-operation with UNECE and FAO, and work to establish the European Forest Institute, based on international agreement, is also underway.

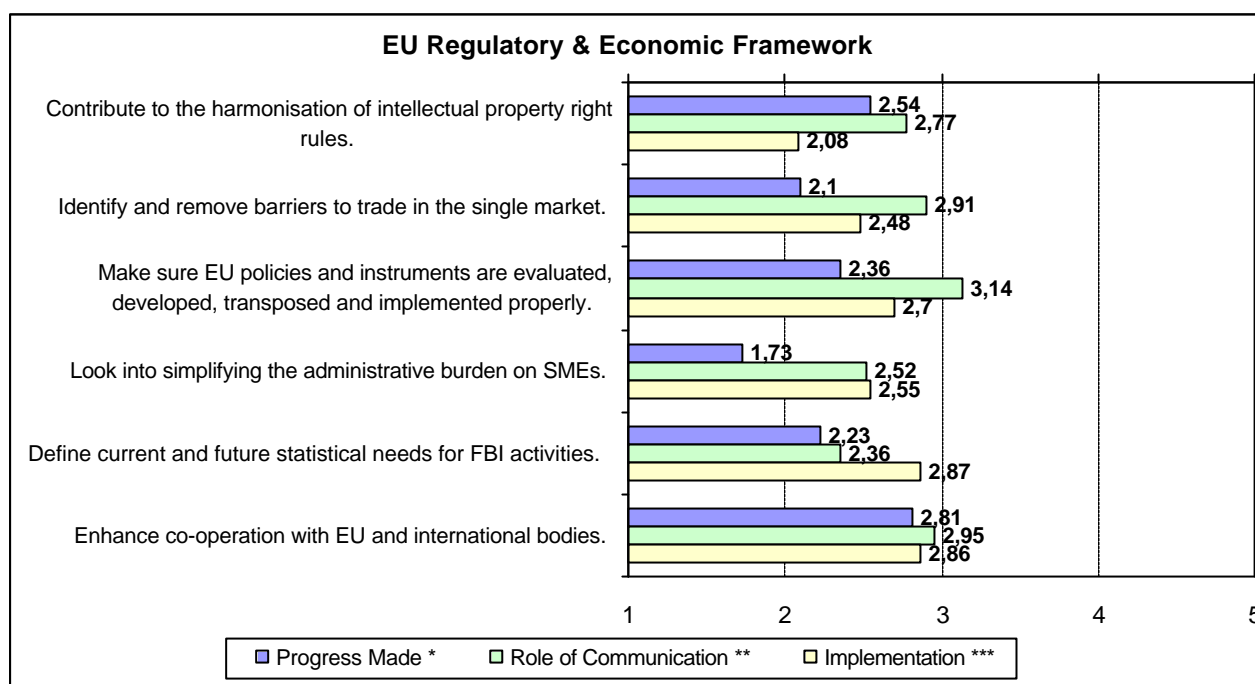
### **Summary Evaluation Findings**

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**The Nature of the Action Areas.** Most of the action areas under this priority are of a fairly horizontal nature and not necessarily sector-specific. As such they were addressed to high-level policymakers at both the Community and national level.

**Questionnaire Survey Programme.** There is substantial consensus among respondents in considering the international and EU regulatory framework as the second most important policy area to influence future FBI competitiveness. The graph below shows the progress reached in the various action areas.





\* Progress Made: 1: no progress, 2: little progress, 3: medium progress, 4: good progress, 5: major progress

\*\* Role of the Communication: 1: no influence, 2: modest influence, 3: some influence, 4: important influence, 5: driving factor.

\*\*\* Implementation: 1: very difficult, 2: difficult, 3: medium, 4: easy, 5: very easy.

#### Comments on the Survey Feedback:

The following points should be noted in respect of the survey feedback for each of the action areas:

- a) intellectual property rights is an issue that mostly relates to the publishing industry. However, the score generically reflects a perceived lack of protection in major extra-EU markets;
- b) the score given to the identification and removal of trade barriers may seem very low if one considers the relatively low level of importance the issue has for FBI products in the strict sense, especially when compared with other sectors. But this would underestimate the importance that recycled materials and the different national schemes for the implementation of the packaging directive hold for the industry and the widespread perception this has resulted in not insignificant trade barriers;
- c) the implementation of EU directives is not a issue limited to the FBI sectors, but the FBI is particularly sensitive to the cumulative distorting impact of differing implementations of a number of EC directives in various fields, ranging from forestry to energy and waste;
- d) the very limited satisfaction with SME simplification issues is a well known horizontal phenomenon that cannot be considered FBI-specific;
- e) there is a widespread acknowledgment that further progress can be made, as far as the quality of statistical data is concerned, although evidence from the country visits shows that many also agree that the issue doesn't rank particularly high in the policy agenda;
- f) the very general policy area of international and inter-European co-operation includes both a positive appreciation of the close co-operation of the Commission with the two most relevant International organisations UNECE and FAO and some more reservations on inter-European policy co-ordination also at the Community level, as different DGs are perceived to have different and not always consistent agendas.

**Country Reports and Telephone Interview Programme.** After the Commission ended its 1996-2002 SLIM initiative to streamline internal market legislation, a new comprehensive multi-annual programme was launched in February 2003 to simplify and update Community Legislation. Results achieved so far have been of limited interest to the FBI and, as such, have been poorly reported or commented upon. Work has been undertaken to simplify statistical regulations, and simplification of the waste directive is expected by 2005. Both of these issues were not generally known to respondents. By acknowledging that the existing EU directives leave considerable room of flexibility in implementation, some Member States have taken the initiatives of studying best ways to reduce administrative burden on SMEs and some of them seem intentioned to launch a major policy initiative along these lines very soon.

In 2003, as a step towards a better regulatory framework, the Commission introduced a new impact assessment of proposed regulations, integrating all previously separated instruments into one common global instrument. The process is articulated into two steps: preliminary and extended impact assessment

and was first tried on a set of some 43 policies and is being implemented on an experimental basis. Sectoral models have been developed for energy and transport, but none specifically related to wood.

## **Conclusions**

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### **The Evaluation Questions on the EU International and Regulatory Framework.**

*Q. What is the current level of harmonisation in FBI of rules and regulations regarding the current border-less information society?*

**A.** The different segments of the FBI have been diversely affected by the borderless information society and its regulatory needs. So far the impact has been much lower and almost negligible in the pulp and paper industry. Instances, mainly in the printing industry have been found of SMEs complaining that there is insufficient regulation in the e-marketplaces, but this is an issue that is more frequently related with platforms managed off-shores than those within the EU.

*Q. Have technical and hidden barriers to trade in the Single Market been identified and removed?*

**A.** At present there are few explicit regulatory barriers to the trade of wood products across Europe. Most existing barriers are implicitly found in the building and construction industry mainly due to functional requirements (fire prevention and sound insulation) that wood-products cannot easily comply with. The removal of such barriers is difficult, not only because of their hidden nature, but also because they often depend on regional or local regulations.

An additional problem is represented by insufficient standardisation and codification of products. Building products are only slowly undergoing a standardisation process and even in those cases where regulations refer to common standards, Member States have the freedom to choose different levels. The number of Eurocoded-products is increasing, but there is limited familiarity in the markets with using Eurocodes themselves. Instances were found of countries where the CE marking was simply not requested by the market. In the paper market, there still are technical barriers for sanitary reasons in niche markets (for example in paper for food packaging) and progress is slow in the related technical negotiations within standardisation bodies, where however industrial associations are very active as brokers of the various national industrial interests.

*Q. Has the FBI contributed to the development, transposition and implementation of EU Directives, regulations and other legal instruments? If so, in what way?*

**A.** The FBI Business associations, both at the European and National level, have actively contributed to the development of EU Directives and legal instruments. Examples include, among others, in the paper and packaging industry the proposal on amending the Packaging Directive and the IPP Communication. They have also been very active in supporting the transposition and implementation mechanisms in the various Member States and in providing information and advisory services to member companies (pulp and paper with IPPC, packaging and printing with the packaging directive, etc.)

*Q. Is the FBI aware of the present and future requirements for industry wide information and statistics?*

**A.** Yes there is full awareness of this, but there is also the widespread perception that full data harmonisation is far from sight and is not likely to be achieved in the near future with industry means only. First of all, statistical coverage of fragmented industries (especially printing<sup>53</sup>) is intrinsically more difficult, statistical classifications leave some room of manoeuvre and there are too many vested interests (regulatory, fiscal, OSH-related) at the national level for classifying activities. Therefore whatever progress could be achieved through voluntary co-operation it has already been achieved. Further progress will depend on improved mandatory harmonisation and updated common nomenclatures (e.g., printing processes, engineered wood products, etc.).

*Q. How well does the FBI co-operate with relevant European and international bodies?*

**A.** On average a good co-operation was found. European business associations actively contribute to the works of international organisations. In 2000 they contributed to establish the International Council of

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<sup>53</sup> The coverage of the printing sector at the European level is made difficult by the fact that only companies with more than 20 workers have an obligation to report data and by the fact that in practice several large publishing companies fail to make a distinction between their printing and publishing activities as they should do.

Forest and Paper Associations. In a few cases concerns were voiced about the need to avoid overlapping between EU and International initiatives, especially those run by FAO/UNECE.

### **Likely Future Issues**

As already happened with globalisation issues, there are a substantial number of respondents who think that the Communication's recommendations only addressed a limited part of regulatory issues and harmonisation needs. This partly depends on the fact that these issues and needs are often highly sector specific and frequently depend on local or regional norms. The likely future policy issues appear to be the following:

- ◆ *From addressing technical barriers to addressing cultural barriers in promoting the use of wood.* There is increased awareness that the real barriers to the trade of wood products for the construction industry are often cultural barriers rather than regulatory barriers, and therefore would require an alternative approach to sheer legal harmonisation. Together with further promotion of codification and standardisation in several regions of Europe, wood products simply are not traditional materials for certain uses and applications and therefore require substantial effort in communication and information targeted first of all to professionals, to the building industry itself and then to the public at large (bridges, big buildings, etc).
- ◆ *From harmonisation to an integrated pan-European policy approach?* It is not sheer technical harmonisation, or the mutual recognition principal, but rather the national differences in implementing EU Directives that are perceived as major market distorting factors by EU FBI.<sup>54</sup> This easily leads to an appreciation of the need for a more integrated policy approach to forestry and FBI issues across Europe. Everybody agrees that, in theory, some sort of co-ordinated ground for the industry would be preferable to the present set of many ad hoc different regulations and that policies should be better coordinated.

Specific examples range from set aside, to forestry rotation standards and finally to species patterns. Some more radical views maintain that only a harmonised VAT system could prevent artificial market distortion. However, the general concern is that the starting point for such an integrated approach risks to be the present international regulatory framework which is also perceived as heavily skewed and unbalanced vis-à-vis certain policy issues only (e.g. illegal logging, recreational use of forest etc.) and at any rate often based on an implicit negative picture of the FBI. For instance, in certain Member States the implementation of the NATURA 2000 directive has resulted in major restrictions to forestry activities. Needless to say this would imply putting into discussion a regulatory framework perceived as too heavily unbalanced against the economic use of forests.

- ◆ *More supervision of e-marketplaces regulation and functioning.* This area is causing concern and reducing confidence in at least some sectors (e.g. woodworking, printing) and countries. The lack of transparent price formation and poor quality of bid documents are among the common complaints.

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<sup>54</sup> Examples include, just to mention a few of them, implementation of the packaging directive, the different requirements of the different national waste recycling schemes, or the definition of waste. The printing and packaging industry appears all in all satisfied with the limited market distortion created by the relatively homogenous implementation of health and safety directives in Europe and is more concerned about the differences in implementing the packaging directive. Also the harmonisation of the postal service is of concern to the industry. In the woodworking sector, harmonisation problems were perceived also in the implementation of the EU Machinery directive.

## 5.4. THE GROWING IMPORTANCE OF COMMUNICATING A GOOD IMAGE TO SOCIETY

### Background Information: Putting the Evaluation into Framework

**The FBI Communication and the Image of FBI.** The Growing Importance of Communicating a Good Image to Society is the last of the 6 Action Areas reviewed in the 1999 FBI Communication. The FBI Communication emphasised the ‘incomplete’ knowledge of the general public about the FBI, and the ‘frequently negative’ image of the industry<sup>55</sup>. The Communication referred to the need for the FBI to communicate their strong environmentally sustainable credentials, and mentioned information campaigns as one way of achieving this. In addition, improved co-operation between the FBI sectors was seen as vital in achieving a more positive image. The text box below contains the specific action areas set out in the Communication:

#### The FBI Communication – Recommended Action Areas

- a) development of a common strategy for the FBI sectors benefiting from the knowledge and experience of professional communications and public relation experts;
- b) gathering of more accurate and reliable information on the perceptions of the FBI sectors;
- c) using the Advisory Committee to the Commission on Forestry, Forest-based and Related Industries and its working groups to extend intra-FBI cooperation, as well as prepare for discussions in political fora;
- d) create a Forest-based and Related Industries Forum which would involve all key stakeholders and serve as a vehicle to ensure adequate follow-up of actions and measures agreed upon.

**A Summary of Key Developments Since 1999.** A significant number of initiatives to improve the image of the FBI sectors have been undertaken across Europe. Promotion in this UK has been dominated by the *Wood for Good* campaign, which has been the largest timber promotional campaign ever to be launched in the UK, and to-date is credited with securing a 6% increase in the UK market for wood.<sup>56</sup> Numerous industry federations and governmental bodies have been working singularly and collectively on other initiatives, including the UK Forest Partnership for Action, Forests Forever, and in the printing industry Vision for Print. In contrast, fewer initiatives have been undertaken in Italy and have tended to be small-scale and local in scope, with one exception being a more recent initiative launched by Federlegno-Arredo, *Progetto Legno*, a promotional initiative of forest-based products in fairs and exhibitions aimed at its own furniture-maker members.

In Finland, a number of initiatives have been undertaken by FBI federations, individual companies, as well as the government. One initiative in the printing industry has involved promoting the industry through the production of publicity materials. In this particular case, the promotion of FBI takes place also the actual process of creating the materials in that they are produced through a competition among students in Finnish graphic vocational schools. Regarding the impact of wood promotion campaigns, some in Sweden doubt their real impact, but the Nordic Timber Council has seen that attitudes are changing and the image is getting better for wood and wood products.

**Selected Actions Undertaken by the European Commission and the European Federations.** A perceptions study was launched by DG Enterprise in 2001, at the request of the paper and pulp industry, and this has helped underline the challenge faced by the FBI sectors in developing a more positive perception of their sectors, in particular towards young persons. The study identified a high level of ignorance of the forestry and FBI industries, a low awareness of their environmental performance, use of modern technologies and a low level of attractiveness in terms of employment and career prospects. The FBI Working Group on Enhanced Use of Wood is continuing work by examining the causal factors behind the poor image of wood.

Following the EC FBI Perceptions Study, discussions between the FBI federations and DG ENTR have led to the development of a communication strategy developed and implemented by the Commission and

<sup>55</sup> Words in commas are taken directly from the text of the FBI Communication.

<sup>56</sup> Plans exist to expand the initiative to other EU MS (starting with an programme taking off in France) and to reduce the budget coming from the Nordic Timber Council.

relevant industry federations which is based on a vision for a quantum leap in the FBI cluster's image by 2010 and comprises 4 core objectives:

- ◆ Ensuring that the socio-economic importance of the FBI cluster is recognized;
- ◆ Enhancing the image of the sector and its products;
- ◆ Achieving greater understanding and acceptance of the concept of sustainable management and the efforts made to improve environmental conservation;
- ◆ Making the sectors attractive in terms of worker desirability (employment).

A core over-riding goal is to secure a quantum leap in the perceived attractiveness of the sector, with education being identified as a key factor for success. The strategy therefore calls for the development of a stronger partnership between industry and schools. An activity plan for 2004 has also been developed during the first quarter of 2004. Within the Communications Strategy, the effort to increase FBI attractiveness will be pushed through the following 3 key messages or message groupings i) that the FBI industries are of economically important, ii) that the FBI are sustainable, and iii) that the FBI are innovative and offer great potential.

The Communications Strategy developed by the Advisory Committee Working Group is a combination of a global and local approach – the global dimension is achieved through activities such as communication campaigns and websites, while the local dimension is achieved through local 'on the ground' activities such as local seminars. A good example of a global activity would be the EU Perceptions Study, with a relevant example of local activities being the decentralised sector-focussed information seminars being organised through the Euro Information Centres.

Following the 2003 Forum, where the Perceptions Study findings were discussed, a number of initiatives have been taken within the framework of the above strategy:

- ◆ development of an inventory of youth related projects seeking to promote the awareness and image of the FBI cluster,
- ◆ as a follow-up to this inventory exercise, creation of a brochure titled "Wood & Paper – Opportunities for Generations' (and plans to develop sector-specific variants of this)
- ◆ creation of a Quality Label 'Wood & Paper', to be awarded to youth-related projects deemed to be of high quality,
- ◆ development of a dedicated website for Wood & Paper projects for young persons, and
- ◆ launch of a pilot project of decentralised seminars through the Euro Information Centre's (EICs) Network.

The FBI unit has also been very active within the UNECE-FAO communications network, where it has provided leadership in the development of a communications model for the forestry and FBI sector, and secured validation of its model within these bodies. Within UNECE-FAO, the Commission has also a mandate to improve communications efforts in these sectors within the New Member States.

The creation of a Forum for the FBI, one of the actions set out in the FBI Communication, has been addressed through the launch of the FBI Forum by DG Enterprise. To-date the FBI Forum has been staged three times since the publication of the Communication. Other DG Enterprise communication-related activities include a new FBI-unit website.<sup>57</sup>

No comprehensive interim evaluation has been performed on the Communications activities undertaken, although plans are at hand for this. For many actions it is in any case still too early to adequately assess impact. Feedback to-date suggests that the non-sectoral focus of the EICs has meant that some challenges have been experienced in assembling sector-specific audiences for the decentralised information seminars.

European value-added would appear to have been secured in this Action Area through a number of actions and dimensions, including:

- ◆ An analysis and mapping out of existing FBI communications initiatives prior to the definition and development of an EC-level communications strategy. This has helped ensure optimal targeting of EC measures to areas not addressed by existing national and regional initiatives (e.g. youth sector) and thereby avoid duplication with existing initiatives;

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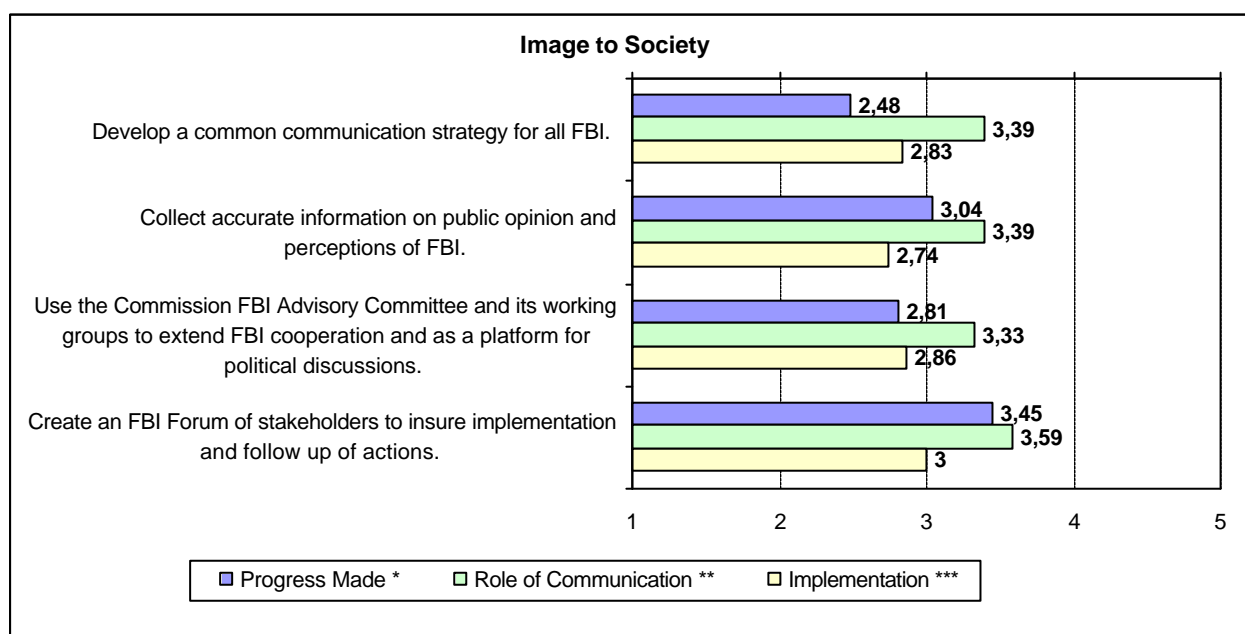
<sup>57</sup> Developed by the FBI unit and identified as best practice within DG Enterprise.

- ◆ The development of a FBI Communications Strategy that combines both global and local dimensions, thereby helping to ensure that EC actions and initiatives address the European and global nature of the FBI challenge, while at the same time ensuring that measures developed from this strategy also have a practical, on-the-ground application and implementation.

### Summary Evaluation Findings

**Nature of the Action Areas.** This is the only Communication policy priority where most of the action areas were directly actionable by the main actors involved in the preparation of the Communication, namely DG Enterprise itself and the European Federations.

**Questionnaires Survey Programme.** For national FBI federations, the importance of communicating a good image to society is perceived to have slightly increased over the last 5 years, and a slight increase is also expected over the next 5 years, although it is ranked as the second least important issue. European Federations perceive that the Action Area *Communicating a Good Image to Society* has decreased in relative importance to other Communication Action Areas during the last 5 years, but also expect it to increase slightly during the coming 5 years. National Federations noted improvement of their competitive position in terms of the FBI's competitive position regarding image in society, while their European FBI counterparts are somewhat less positive (see Volume III). FBI Federations perceive that more progress has been made in respect of image and communication issues during the last 5 years than in any other Action Area of the Communication.



\* Progress Made: 1: no progress, 2: little progress, 3: medium progress, 4: good progress, 5: major progress

\*\* Role of the Communication: 1: no influence, 2: modest influence, 3: some influence, 4: important influence, 5: driving factor.

\*\*\* Implementation: 1: very difficult, 2: difficult, 3: medium, 4: easy, 5: very easy.

#### Comments on the Survey Feedback:

The following points should be noted in respect of the survey feedback for each of the action areas:

- there is a perception that a common FBI communication strategy is still insufficiently developed. Interestingly enough this perception is slightly less pronounced in the woodworking industry;
- there are substantial national variations in the appreciation of the research work done on the public perception of the FBI industry, which are likely to reflect the different levels of development within the various communication policies and initiatives across the different MS. It is not surprising that the assessment of European Federations is substantially higher as it reflects the work done at the Community level;
- some progress is generally acknowledged regarding the FBI Advisory Committee and its working groups, but there is also a widespread request for further strengthening. Based on the country visits, one would say that lack of transmission mechanisms with the different national realities including involvement of national governments is still seen as a weakness;
- the role played by the FBI Forum is another example of varying assessments between European federations and National associations with the first being much more positive (average score 4 for the

role played by the Communication) than the latter. At the national level it seems reservations focus on the ultimate effectiveness and representativeness of the FBI Forum as an implementation and follow-up mechanism and its perceived bias towards “big industry.”

**Country Reports and Telephone Interview Programme.** The fieldwork findings suggest very strong levels of consensus regarding the FBI’s image being a shared challenge across the cluster, and there being a prominent EU role in addressing this challenge. In Italy, while few public national communication initiatives have been taken so far, there is however reasonable horizontal consensus across the FBI on the need for an EU-led policy action.<sup>58</sup>

In the UK, FBI players also perceive a clear need for a policy action and a leading EU role therein, in part due to the distorted messages sent to the public. All countries feel that the cluster has significantly failed in communicating its environmental credentials. Another area where the sector has not leveraged its assets is in communicating the economic size of the FBI cluster. In the UK it was considered that the industry has been rather naïve in terms of marketing itself and its products, with an over-emphasis on producing and selling but insufficient focus on publicising and marketing FBI products, a slow reaction to the advent of ICTs and a greater environmental sensitivity in society, as well as the distorted message sent to the public.<sup>59</sup> This perceived under-emphasis of FBI industries in marketing FBI products and addressing distorted national perceptions regarding the FBI industries would seem to underline the rationale and value-added of existing European Commission and national communications initiatives seeking to address these issues.

The image challenge in the Czech FBI cluster is acknowledged by all stakeholders, but its causes lie not only in the common reason (public misperceptions, FBI as tree-killers etc.), but also in factors related to the country’s recent history. Here, timber houses are often perceived as cheap, paper bags are perceived as old and not modern, and the FBI overall being perceived as dirty and environmentally harmful. A further challenge is that representation of the industry at national level is not optimally organised, with the result that the government has paid limited attention to FBI problems up to now.

Only in the Nordic countries did the fieldwork identify some satisfaction with the FBI’s image, especially in Finland. Swedish stakeholders perceive the image of the FBI to be significantly better than in middle and southern Europe, in that in Sweden, issues such as deforestation are not perceived as impacting on the image of the domestic FBI.<sup>60</sup> Here, the focus is on other “image” issues, such as seeking to change the attitude of the building industry to use more wood in construction.

Some satisfaction exists with the image of the FBI in Finland due, in significant part, to the FBI cluster’s historical importance in Finnish economy and society. Notwithstanding this, there is a clear perception that more needs to be done continuously to communicate the cluster’s environmental credentials to the wider public. Unfortunately, FBI representatives believe that the wider Finnish society often mistakenly assumes that the negative images of the FBI seen elsewhere in the world (including deforestation) is also representative of the Finnish FBI cluster. Such recognition of the importance of perceptions, images and reporting originating from other parts of Europe and the world on the local Finnish perceptions of its domestic FBI industries underlines the fact that the image challenge is not only a shared FBI challenge, but also one that is to an important extent global in nature. This reinforces the need for European-level and global measures to address the challenges in the European FBI.

Even in Finland, it was considered that the general public retains an outdated view and isn’t able to recognize the developments and environmental progress development the industry has achieved. The image problem is considered of key importance in helping to address the anticipated challenge in recruiting young persons into the FBI.

In the Czech Republic, the situation is much more serious, with a real paucity of initiatives to tackle the image of the FBI cluster. The Ministry of Agriculture has tried several times<sup>61</sup> over the last few years to launch a promotional initiative to improve the image of wood, recently including one FAO-sponsored

<sup>58</sup> Instances cited of the image challenge and misinformation range from wood being considered as a not sustainable raw material in primary school textbooks to companies promoting their recycling activities as a way “to save trees.”

<sup>59</sup> There is the mistaken common idea for example that recycling is promoted as a way to save the trees. Instead, the perception should be based not on how to save the trees but on how best to manage them, as a renewable source.

<sup>60</sup> Perceptions of a “forest-killing” industry is for example really not considered a problem for the home market. Certification was seen as playing an important role in seeking to change the attitude towards and image of the FBI and in giving the industry a better credibility and the consumers better guidance.

<sup>61</sup> There is an official “Czech Wood” Programme aimed at supporting increased consumption of domestic timber in the country. So far the only successful initiatives have been educational programs in primary schools that have been running since 1995.

project. Unfortunately, all attempts so far have failed, reportedly because of the impossibility of making main industry stakeholders agree on financial contribution and cost sharing issues. Based on the Nordic Timber Council experience, there are plans to have special information campaigns targeted at architects and engineers, although these initiatives have not yet taken off.

There is very limited awareness in the Czech Republic of EU initiatives to enhance the image of wood in Europe. In principle such initiatives are welcome, provided they are accompanied by a credible "seeding fund" budget and take into consideration the need to tailor them to local realities and needs. There is some doubt among Czech stakeholders of the added value of any EU intervention limited to facilitating exchange of best practices and cross-fertilisation of existing initiatives. This doubt is in large part motivated by concerns that such EU intervention would substantially overlap with what is already being done by FAO and UNECE at the international level. Local Czech stakeholders emphasised the importance of maintaining a clear distinction between any possible future EU intervention and international initiatives already in place in order to avoid duplication and waste of resources. It is important to point out that such concerns are likely to be in part misplaced, given the close co-ordination between the Commission and UNECE-FAO and the active role and work undertaken by the Commission within this body in validating its Communication model.

### **The Specific Evaluation Questions on Communicating a Positive Image.**

**Q.** *Is there a common communications strategy for the FBI overall? Could further information be gained from communications and public relations experts?*

**A.** It would not appear that there is a common communications strategy for the FBI overall. Following the work of the EC Perceptions Study, discussions between the FBI federations and DG Enterprise have led to the development of a Communications Strategy which, based on a vision for a quantum leap in the FBI cluster's image by 2010, has set out 4 objectives (see section *Actions Undertaken by EC and European Federations* above) However, these objectives will need to be interpreted and made more specific to address the varying national contexts. What will be important is that practices are put in place to facilitate the sharing of experiences, benchmarking, and the identification of good practices.

**Q.** *Is there reliable and comparable information on the perceptions of the FBI across Europe?*

**A.** The EU Perceptions study has provided a valuable European framework on the state of public perception towards the FBI. This study has underlined the scale of the image challenge facing the sector across Europe. However, it is important that such intelligence is interpreted against the specificities of the various EU-25 markets. An example is the apparent differing levels with which Finnish and Swedish citizens tend to associate global images of the FBI with their domestic FBI.

What is important is that consistent tracking of promotional campaigns is made in order to track results and effectiveness. This will become more important as the number and scale of campaigns on the promotion of wood intensifies and as the Roadmap 2010 moves towards the implementation phase. Sectoral variations in the level of knowledge would also appear to exist, for example it would appear that there have been relatively fewer initiatives launched in the printing sector.

**Q.** *In what way has the 'Advisory Committee to the Commission on Forestry, Forest-based and Related Industries' and its working groups increased co-operation within the FBI or been used as a platform for policy discussions?*

**A.** The Advisory Committee Working Group on Communication was closely involved in the Perceptions Study carried out by DG Enterprise, and in this respect was a key conduit for the input of the European FBI federations. The Working Group has been centrally involved in the follow-up work from the Perceptions Study, and has driven the development of the Communications Strategy recommended in the FBI Communication, and in this respect has been the central forum for policy discussion in the elaboration of the Communications Strategy.

**Q.** *Is there an FBI Forum, and if so, what is its structure?*

**A.** An FBI Forum has been launched and 3 editions have been staged to-date, each time in a different European city. The Forum appears to be primarily driven around thematic issues and discussion at an FBI-level, as well as a focus on policy issues at a European level. Recently, it has been decided to stage the Forum once every 2 years, while responsibility for its organisation has been assumed by CEPI. The FBI Forum will also be staged in Brussels, rather than moving location for each edition.



**Q.** Does the FBI Forum ensure adequate implementation and follow-up of actions and measures?

**A.** The research undertaken suggests that the FBI Forum does not secure adequate implementation and follow-up of actions and measures. To the extent that there is an exception to this, it would appear that such an exception is most likely to be actions under the Action Area 'Communicating a Good Image', where the EU Perceptions Study was presented and discussed at the 2003 FBI Forum and a number of Actions were decided upon and subsequently launched.

However, it is unrealistic to expect that the FBI Forum can ensure adequate implementation and follow-up of actions and measures, without the support of a clear management and executive process for implementing the FBI Communication recommendations.

### **Likely Future Issues**

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National federations perceive that the importance of the Communication's recommendations in the area of communicating a good image to society has increased slightly since 1999, and will increase slightly further between 2004 and 2009. Feedback on the policy area of communication a good image to society suggests that in many respects a continued but intensified approach is needed.

- ◆ *Request for EC to take the Lead.* There is strong consensus that the EU should take the lead with regard to addressing the image challenge facing Europe's FBI. More than any other issue, this has been shown to be area of greatest consensus across the FBI sectors, especially during the country fieldwork. A number of examples have been provided of what form such EU intervention could take, including for example seed-financing of "objective" communication campaigns. The image of wood should (continue to) be a key part of EU Communications efforts. Benchmarking and highlighting good practice are likely to be other areas where the Commission can add value. A number of conditions will need to inform EU action, including understanding that campaigns need to be tailored to the national context, and will need to avoid duplication with existing schemes
- ◆ *Need for Support Financing (especially in the New Member States).* Based on the findings in the Czech Republic, financing will need to be a key part of any EU initiatives. The involvement of relevant government agencies is also considered imperative, although this would bring up a question of the scale and nature of the financial challenge in the region.
- ◆ *Ongoing Improvements to the Forum.* Regarding the FBI Forum, while this has been relatively well regarded, a number of stakeholders consider that its objectives and functioning need to be improved. Based on our research, a stronger sectoral dimension with enhanced involvement of the SME world would appear to be one much-needed improvement. Recommendations regarding improvements to the FBI Forum are provided in Section 6 of this report.

## 6. THE NEED FOR A NEW POLICY INITIATIVE REVIEWED

### 6.1. INTRODUCTION

This section follows on from the findings set out in Section 3 (The FBI Communication Evaluated) and the previous Section 4 (Review of Progress by Action Area), and seeks to answer the following key questions:

1. Is there a need for a new FBI Communication?
2. If yes, what considerations should inform the objectives and scope of such an initiative?

It should be emphasised that in any case the European Commission is committed to reporting on the experience and evolution of the FBI Communication (as also requested in the FBI Communication itself) and the findings of this evaluation will serve as an input into its thinking and deliberations.

### 6.2. THE NEED FOR A NEW COMMUNICATION

#### Support for a New FBI Communication

The research has identified a strong need for a new initiative, which could take the form of a Communication or other type of initiative. There is strong industry support for a new initiative, provided that certain conditions are met (see *Box* below). A new initiative is necessary because:

- ◆ notwithstanding the progress made in some areas, substantial work remains to be done with regard to implementing the Communication's recommended actions. In particular, much work remains to be completed in terms of advancing the competitiveness of the FBI cluster. Addressing this situation will lead to enhanced credibility in the eyes of industry stakeholders;
- ◆ there is a perception among industry stakeholders that the goals of the European Commission's policy towards the FBI are no longer clear, particularly in terms of a perceived emphasis on environmental regulation ahead of promoting industrial competitiveness. In this context, many consider that a new initiative focussed around competitiveness would help clarify and refocus efforts;

#### **Strong Industry Support for a New Communication**

The survey results showed an overwhelmingly majority of national federations in favour of a new initiative, with almost 80% of respondents being in favour and 50% considering a new Communication to be essential. No respondent considered that a new Communication would neither be necessary nor a good idea. The country fieldwork also confirmed strong support for a new Communication with remarkable consistency as to the pre-conditions for such support – a clearer sectoral focus, a focus on competitiveness issues, and a focus on implementation. In part the support for a new Communication can be seen as stemming from the widespread perception of under-achievement on the part of the existing FBI Communication.

It is therefore recommended that a new initiative takes the form at least in part of a Communication for the following reasons; i) it will provide continuity with the FBI Communication; ii) an updating of the FBI Communication can represent the opportunity to communicate to Europe's FBI Cluster that there is unfinished business with respect to the Communication, which the European Commission, in partnership with industry and other relevant stakeholders, intends to complete. Organised efficiently, we believe that a new Communication can be developed in a relatively short period of time, with a significantly reduced time investment from the various stakeholders.

Based on the research undertaken it is recommended that any new FBI Communication initiative contains:

- ◆ A primary focus on FBI competitiveness issues;
- ◆ A stronger sectoral focus (i.e. not just an FBI-level focus but also a focus on the component sectors – woodworking, pulp and paper, printing and paper and board covering and packing);
- ◆ A greater focus on implementation processes and strategy in order to ensure greater take-up by stakeholders of the actions set out in a new Communication.

## 6.3. OBJECTIVES & SCOPE OF AN EC FBI POLICY INSTRUMENT

### 6.3.1. EU Sector Communications – Some Considerations

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EC Communications on competitiveness are policy instruments with some advantages but are also not without limitations, especially with respect to:

- ◆ the need to incorporate sectoral considerations within the framework of the Commission's horizontal policy instruments;
- ◆ their action plan dimension.

**The Sectoral Dimension.** As with the FBI Communication, these Communications usually follow the same structure - a specific analysis on the key competitiveness factors underlying the sector's performance followed by a list of proposed measures. In its latest official policy statements,<sup>62</sup> the EC has reiterated its commitment to a horizontal industrial policy as a common framework for business, and its commitment to ensure a levelled playing field for all sectors without privileging some sectors over others. Measures with a truly sectoral dimension tend thus to be very exceptional.

Sectoral Communications therefore usually propose an adaptation, to the extent possible, of the existing horizontal instruments to the perceived needs and requirements of the target sector. This approach inevitably presents two major flaws – firstly, the difficulty of predicting with accuracy market developments and secondly, the political nature of proposed actions which inevitably represent the mediation between conflicting views, different prioritisation of issues, and the need to cover all EU policy areas on an equal footing. This easily leads to documents that are perceived as somewhat lacking in focus and containing a broad but somewhat superficial treatment of many issues.

**The Action Plan Dimension.** In order to compensate for this perceived lack of focus and to facilitate achieving concrete results, sectoral communications sometimes include an action plan with monitorable targets, defined deadlines, as well as specified implementation actors.<sup>63</sup> As Communications are official EC documents, an action plan can relate to the activities of the Commission services only and cannot be binding on other players (e.g. Member States, business associations, etc). Therefore, proposed Communication measures differ to the extent to which they can be included in an action plan attached to the Communication itself.

The main limits of the action plan approach relate to the nature of the policymaking process itself. Action plans can be good as instruments to steer activities, but their implementation is rarely as smooth as originally anticipated. Moreover, the European Commission's agenda can also be significantly influenced by issues raised from outside and therefore part of the policymaking process is inevitably of a somewhat reactive and unpredictable nature.<sup>64</sup> The credibility of an action plan is enhanced if it is accompanied by a clear budgetary allocation showing how proposed actions are supported by appropriate financial means.

### 6.3.2. A New Communication – Nature and Scope

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The research has flagged a number of factors that have, in our view, conspired to constrain the FBI Communication's effectiveness. These factors include:

- ◆ EC work processes and structures being insufficiently adapted to managing a Sectoral Communication within a horizontal EC operating environment;
- ◆ Insufficient linkages between the Communication Action Areas and the concerns of FBI industry (partly due to no official EC action plan).

Setting out broad horizontal policy goals for a new Communication could help ensure that things 'stay on track', in particular during the implementation phase. However, a broad set of policy goals can also help

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<sup>62</sup> See for example the recent Commission Communication on *Fostering Structural Change: an Industrial Policy for an Enlarged Europe*" (COM(2004)274)

<sup>63</sup> The first 1997 Action Plan on the Textile Industry provides a good example of this. It was accompanied by a table for actions detailing the responsibilities of the various DGs and Commission services in the implementation of proposed measures in the various areas of activity. Also based on this the Commission could draft a report on the implementation of the action plan highlighting the main difficulties encountered and the orientations for follow-up of activities.

<sup>64</sup> The relatively sudden emergence of illegal logging as a policy issue in the Commission agenda, through external pressures, is just one example of this.

when seeking to select and prioritise between competing issues. The policy objectives below can also be closely matched to the different roles of the European Commission, and are built in part on the premise that all FBI policy-making takes place in a horizontal policy-operating environment. We believe that the possible functions of a new Communication policy initiative can be broadly grouped into five, partly overlapping, main categories as follows:

1. *Increase awareness and political visibility;*
2. *Ensure a level playing field for FBI;*
3. *Influence EU policies and legislation to best take account of FBI concerns;*
4. *Leverage and Tailor Existing EU Instruments to match FBI needs;*
5. *Provide the industry with a policy vision.*

These 5 functions are discussed briefly below:

- ◆ *Increase awareness and political visibility.* This is a fairly straightforward objective easily appreciated by all of the stakeholders concerned, although more so by certain segments of the FBI. It relates to the need to emphasize the importance of the FBI cluster and/or to provide political backing to certain European Federation initiatives. For a new Communication, raising visibility at National level can also be a possibility, in particular if National Government actors are, as we recommend, included as stakeholders. Therefore, the very fact that a Communication is produced and discussed in Council and Parliament and can be used to foster political debate in National Parliaments or conferences with National Ministries can be seen as a result *per se*, as it gives political visibility to the FBI.
- ◆ *Ensure a level playing field for FBI (through monitoring the administration of the EU's internal market and external trade regimes).* There are numerous competitiveness issues directly entailing the Commission's primary responsibilities in ensuring a level playing field within the EU and in external trade. Examples include State aids, the printing industry's request of monitoring dominant positions in the paper market or similar concerns voiced in the primary woodworking industry. The possible distorting role of the State as a forest owner is another, admittedly limited, case in point. Product harmonisation and internal barriers to trade are other obvious areas of possible Commission action together with remedial action for uneven implementation of EU directives in the Member States.
- ◆ *Influence EU policies and legislation to best take account of FBI concerns.* This is the more directly related lobbying aspect and obviously often one of the most important ones from the business associations' point of view. The key objective is to monitor existing and new policy and legislation to ensure it does not harm FBI competitiveness. An FBI policy initiative should provide arguments to shape new or to reform existing regulations in the light of FBI competitiveness concerns. Examples range from EU environmental and energy measures, to occupational health and safety regulatory issues. Again, this category of contents would be mainly addressed to policymakers.
- ◆ *Leverage and Tailor Existing EU Instruments to Match FBI needs.* This is the more traditional objective of a Commission Communication. A combination of information tools, innovative ideas to exploit already existing EU policy instruments and funding mechanisms to meet FBI needs. The most obvious examples include regional aid schemes, trade facilitation, human resources and education, and last but not least EU research and development. The addresses typically include a combination of Commission services, business associations and national and regional Governments.
- ◆ *Provide the industry with a Policy Vision.* This would be by any standards a relatively ambitious objective. The FBI Communication included at least an attempt to convey a vision of the opportunities opened by Kyoto protocol to build consensus within the industry itself and steer their main stakeholders' activities. Within the FBI, some stakeholders believe that investment in image, as well as the symbolic and emotional content of FBI products, may well be a key factor to foster competitiveness.

Beyond the above, any policy initiative can formulate proposals to enhance policy dialogue and delivery mechanisms, and to some extent policy dialogue is assumed in the above 5 objectives (in particular in Objectives 1, 3 and 4). However, this aspect, in particular delivery mechanisms, will be better dealt with separately in Chapter 6.

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### **6.3.3. A New Communications – Selected Benefits and Risks**

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A European Commission Communication, as a technical instrument for a potential new FBI policy initiative, would appear to have both advantages and disadvantages regarding the possible objectives

and scope of such an initiative. These advantages and disadvantages are discussed below in the context of each of the 5 functional objectives:

- ◆ *Raising Awareness:* A new Communication would certainly help continue to raise awareness about FBI competitiveness issues among EU policymakers and other key audiences (e.g. national government), as well as increase the political visibility of the FBI sectors. A possible benefit of a new FBI Communication could be the prospects of increased national awareness and visibility, if national governments are included in the core stakeholder community.
- ◆ *Ensure a level playing field for FBI:* A Communication could help define the agenda for Commission direct interventions and this certainly is one of the areas lending itself better to be complemented with an action plan. However, this would not necessarily require a formal Communication.
- ◆ *Influencing EU policies and legislation to meet FBI concerns.* This evaluation has shown that most FBI competitiveness concerns are not sector-specific, but of a broader horizontal nature and as such can be addressed or have already been addressed by the EC through horizontal instruments. Examples include the need for a better ex ante assessment of the competitiveness impact of proposed regulations, so frequently voiced during this evaluation. This has already been recognized by the Commission and has led to the establishment of an improved “sustainability impact assessment” as a mandatory practice in the EU policymaking process.<sup>65</sup> Similarly, issues relating to adaptability of EU Structural Funds mechanisms to New Member States’ needs or the difficulties process-based industries face in accessing R&D funds are known and are not necessarily sector-specific.

Without a doubt, this evaluation exercise suggests that there is a latent demand within the FBI for better integrating forest and FBI-based policies into a more coherent policy framework and that this need is well acknowledged across the board in Europe, including within Government circles.

- ◆ *Leveraging Existing EU Instruments to match FBI needs:* This is the usual content of a Commission sectoral Communication, so it presents no major difficulties. Substantial improvement can be achieved here if a more explicit action plan dimension is achieved or if policy dialogue and especially delivery mechanisms are improved.

A new FBI Communication could also include some sector-specific indications, likely in the form of further political encouragement to environmental and possibly social labelling initiatives. It is unclear whether an open unsubstantiated invitation to Member States to promote the use of wood also in the light of best practices already developed elsewhere (e.g., through public procurement policies and other means) could be compatible with the Commission’s impartial role. It is evident that the final results of these proposed measures is outside Commission’s control and ultimately depends on operators and National Governments’ ownership of proposed actions and willingness to act along the same lines.

#### **6.3.4. A new FBI Communication – Stakeholders and Issues**

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A new policy initiative for FBI competitiveness could have a varying scope in terms of:

1. Stakeholders involved;
2. Policy areas covered;
3. Its action plan dimension.

##### *1. Stakeholders Involved*

Importing the FBI cluster concept into European policymaking has proved only to be a mixed success. The application of the FBI cluster concept has resulted in a EU policy-making instrument that many stakeholders find somewhat incomplete or rigid. It has been an incomplete tool because, from the analysis detailed in previous sections of this report, it appears evident that any initiative on FBI competitiveness would need to consider together with woodworking the log market and forest owners, not to mention the wood for energy sector.

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<sup>65</sup> Following EU legislation last year, it is now compulsory for all new proposed legislation to undergo a Sustainability Impact Assessment (SIA) to look at the economic, social and environmental impacts of the proposed legislation. The ongoing sustainability impact assessment of the FLEGT action plan or of the forest WTO trade platforms are the first such examples directly affecting the industry. The instrument will inevitably require methodological refinements over time, but the principle has been stated and from now on the FBI is given a transparent way to speak its voice on competitiveness impact based on objective data and considerations.

The FBI concept has also proved somewhat rigid as a policy tool, in that while it allows for the creation of a sort of core FBI cluster composed of pulp and paper and woodworking industries that have indeed managed to take a number of common positions on FBI problems, it has not sufficiently acknowledged the special status of the packaging and printing industries (partly manufacturing, but also partly communication and advertising-related industries) and their need for a more sector-specific individual approach on certain issues.

There is no doubt that the printing industry also has its specific competitiveness problems: structural overcapacity, new requests for content management, dependence on telecommunication and postal services which have hardly been addressed or reviewed in the FBI Communication. Moreover, when it comes to research & development, since most of innovation in the FBI is process-based, the involvement of machinery and chemical suppliers could help give a clearer technological focus to proposed research areas. Conversely, furniture-makers could have their voice heard when it comes to image issues. In this respect greater consideration of the sometimes differing priorities and issues of FBI sectors is recommended in terms of future FBI policy.

## 2. Policy Areas Covered

Results from this evaluation show that there is a very wide range of policy issues of concern to the various branches of the FBI. Some of them are the continuation of issues already highlighted in the FBI Communication, and others reflect more recent policy developments. These issues also are of a fairly diverse nature: from sector-specific aspects of wider horizontal EU policy problems, to requests for Commission actions in their primary areas of responsibility and to more specific sectoral policies. It is worth noting that among the latter there are a notable number of issues related to the frequently voiced need to have a better integrated approach to forest and FBI-related policies at the EU level. The table below summarizes the differing nature of the "likely new future issues" resulting from the Thematic Reports (see above) in Section 4 of this report.

**Summary of Nature of Likely New Issues by Action Area**

Issue	Horizontal Issue	Sector Specific Issue	
		Better Analysis	Policy intervention
<b>GLOBALISATION</b>			
Long term availability of raw materials (including recycled raw material flows)		♦	
Possible market distortions created by State-ownership of forests		♦	?
Overcapacity due to regional aid		♦	?
Monitoring dominant positions in supply market		♦	
Transport and logistic dimension of globalisation	♦		
<b>ENLARGEMENT</b>			
Facilitate involvement of private forest owners in the market			♦
Risk of dominant positions at the regional level (at the EU-25 level)		♦	?
Better tailoring of EU SME Funds (at the EU-25 level)	♦		
Increase communication and awareness-raising about EU instruments	♦		
Monitoring actual compliance with the Acquis.	♦		
Improve overall industry representation in the NMS (especially for SMEs).	♦		
<b>SUSTAINABLE DEVELOPMENT, ENVIRONMENT &amp; ENERGY</b>			
The consistency, simplification & streamlining of existing environmental and energy legislation	♦		
Need for better assessment of impact on competitiveness including a more detailed appreciation of market-related aspects of environmental measures.	♦	♦	
The possible need to simplify environmental certification schemes.			?
<b>TECHNOLOGICAL INNOVATION &amp; HUMAN RESOURCES</b>			
More funding for process-related research	♦		
Better e-marketplaces regulation and functioning	♦		
More industry involvement and consultation in setting of EU RTD priorities			♦
Clearer view of where synergies exist to undertake collaborative FBI-research		♦	
NMS training needs also at the management level	♦		
NMS higher RTD dependence on EU research funds	♦		
<b>EU REGULATORY &amp; ECONOMIC FRAMEWORK</b>			
Challenges set by environmental pressure groups on traditional int. trade law	♦		
The focus from technical barriers to cultural barriers.			♦
Need for an integrated pan-European policy approach to forest and FBI			♦
<b>IMAGE TO SOCIETY</b>			
EU leadership in image issues and the promotion of wood should (continue to) be a key part of EU Communications efforts			♦
Tailoring campaigns to the national contexts			♦
EU seed financing of pilot initiatives			♦
Improve functioning of the FBI Forum			♦

The table below categorises, in a very indicative manner, a number of policy priorities raised during informal interviews with representatives from three European FBI federations. This table does not therefore pretend to exhaustively represent industry views. Its only purpose is to show both the differing emphasis on policy issues among FBI sectors and the fairly diverse expectations on the nature, scope and likely objectives of any new FBI policy initiative.

One key element is the ability to agree upon prioritisation of issues during the consultation process of a new EU policy initiative. In this way, when one considers that the various national associations have their own prioritisation of issues, the potential scope of issues for inclusion will become very broad.

<b>Accommodating Diversity</b>					
<b>Policy Priorities Voiced by Selected FBI European Federations</b>					
	<b>Awareness raising</b>	<b>Level Playing Field</b>	<b>Monitoring EU Policies</b>	<b>Tailoring instruments</b>	<b>Strategic Vision</b>
<b>CEPI</b>					
Emission Trading Directive			♦		
Renewable energy policy			♦		
Energy prices			♦		
Natura 2000			♦		
Vision for Kyoto					♦
Forest certification		?			
Regulatory burden			♦		
Improve image				♦	?
<b>CEI-BOIS</b>					
Support to the roadmap	♦				
Emphasise FBI importance and competitiveness problems	♦				
Monitoring accession		♦			
Platform for 7 <sup>th</sup> Framework				.	
Promote wood in houses		?		?	
Promote use of wood in other constructions		?		?	
<b>INTERGRAF</b>					
Harmonised VAT system			♦		
Lack of work force				♦	
Industry specificities	♦				
Image problems				♦	♦
Environmental policy			♦		
Statistic regulation			♦		

### 3. The Action Plan Dimension

As reported earlier, there is considerable support within the FBI for an increased focus on the action plan dimension when developing a new EC policy initiative. There is no doubt that there is significant room for improvement in this area when looking at the experience with the FBI Communication. However, past experience would advise against not setting goals and expectations too high for new policy initiatives that would move away from sector-specific issues and towards broader lobbying and awareness raising objectives.

#### **6.3.5. A New Communication – Can It Contribute to a Policy Vision?**

An issue of debate is whether or not a sectoral Communication can contribute to fostering a policy vision to the industry concerned. Results from the research and survey work show that the request for innovative ideas for policy development comes third in stakeholders' appreciation of the potential usefulness of an FBI Communication. This is understandable if one considers that a Communication should mainly reflect consensus for action while visions are there to propose radically innovative views and to challenge conventional behaviours and mindsets. As proof of this, it can be noted that the FBI Communication contained an attempt to highlight the potential industrial policy consequences of the Kyoto protocol, which is still challenged on various grounds by a not insignificant part of the FBI stakeholder population.

Within the FBI, there is some consensus on the fact that there is significant industry marketing and communication potential if the environmental sustainability of its products were acknowledged. However,

the sustainability of forest-based products has so far remained a vaguely formulated concept with a need for stronger substantiation by factual performance data based on accepted measurement and performance criteria. EU institutions are therefore not even allowed simply to make reference to any objective “measure” of sustainability in their policymaking process. One would therefore expect that the introduction of the “product sustainability” concept in the EU policymaking process would be welcomed by the FBI as a big opportunity to give a clear policy framework to an under-defined concept and to open opportunities at least to have a real levelled playing field with other industries that do not suffer from the same image problem.

A vision of leveraging the sustainable development credentials of FBI products would allow FBI sectors to exploit the opportunities raised by the EC’s IPP Communication by taking advantage of some key IPP principles, especially the need to involve industrial stakeholders; the preference given to market driven mechanisms; and the identification of the lifecycle assessment methodology as the tool to define product sustainability.

Through the IPP approach the Commission already intends to strengthen the coherence of existing environmental policies and come to the “veritable” prices of products inclusive of their environmental costs and to better understand the distortions created by subsidies and other incentive mechanisms. The aim is to seek to better inform consumers about product sustainability features, as well as to provide public support through public procurement schemes or other tools to those products that have the best potential for improving the environment and saving energy. In several cases, IPP and energy saving considerations are clearly interconnected. The study that the Commission intends to use as a basis for its comparative methodology<sup>66</sup> already presents impressive preliminary results. For example, when measured with a lifespan assessment methodology, a wood house would have half the total CO<sub>2</sub> emissions of a stone & concrete house, industrial wood packaging would account for 4.5. times less CO<sub>2</sub> emissions than plastic and even cardboard would be twice as environmentally efficient than plastic alternatives.

Notwithstanding the above, the Commission’s Communication on the integrated product policy that paves the way for the concept of intrinsic product sustainability has generated some concerns and reservations among FBI European industry organisations. CEPI, for instance, was concerned about a number of elements of the IPP, including the possibility that it would lead to the promoting market-distorting measures either directly or through non cost-efficient measures or subsidies and a concern that the IPP would unduly restrict market access. Moreover, while CEPI supported life cycle thinking as a guiding principle for policy making, but not necessarily Life Cycle Assessment (LCA), which is a very sensitive methodology. CEPI therefore viewed the IPP as more appropriate for industry’s internal policy for continuous improvement rather than as a base for policy making. Should FBI stakeholders seek to foster a policy vision around the FBI’s sustainable development credentials, a thorough examination of the IPP Communication as a platform to further the FBI’s competitive advantage is recommended as part of the process of developing such a vision.

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<sup>66</sup> Institut de Conseil et d’Etudes en Developpement Durable ASBL, *Priority policies and measures for the federal product policy in order to mitigate climate change, Report for the Belgian Directorate General for the Environment of the Federal Public Service for Health, Food Chain Safety and Environment*, Namur, January 2004.



## 7. CONCLUSIONS AND RECOMMENDATIONS

This final section sets out the Draft Final Report recommendations regarding the objectives, scope, and focus of a new FBI Communication (Section 6.1) as well as the management and implementation practices and processes that could underpin a new Communication (Section 6.2).

### Key Findings

The key findings of the evaluation have included:

- ◆ The Communication marked an important milestone in the development of EU policy for the FBI cluster;
- ◆ From the perspective of a review of the Communication by key phases, the development phase can be regarded as relatively successful, however, feedback on the communication and dissemination phase has shown scope for improvement;
- ◆ Feedback on the implementation phase from the stakeholders covered by this evaluation has shown that the FBI Communication has not fully delivered on industry expectations and that a substantial amount of work remains unrealised;

#### KEY MESSAGE 1

The evaluation of the 1999 FBI Communication suggests that:

- ◆ The FBI Communication has helped 'put the FBI on the political map' at the EU level and has enhanced policy dialogue mechanisms;
- ◆ It has however not proved to be effective as a basis for policy action, nor in ensuring that FBI interests are taken sufficiently into account in other EU policies, nor in significantly advancing the competitiveness of the FBI sectors.

- ◆ Industry stakeholders perceive a strong need for a new Communication, subject to some clear pre-conditions being met;
- ◆ 5 years later, much of the FBI Communication's SWOT analysis, and the 6 Action Areas, remain quite relevant, provided they are adapted to the specificities of each sector;
- ◆ The research, in particular the country fieldwork and the European federations, has suggested numerous policy needs which could be considered for inclusion in a new Communication;
- ◆ Processes need to be designed and put in place in order to avoid the breakdowns experienced in the implementation phase of the FBI Communication.

#### KEY MESSAGE 2

Based on the research findings, it is recommended that a new FBI Communication initiative is launched. A new FBI Communication should include:

- ◆ A primary focus around FBI competitiveness issues;
- ◆ A stronger sectoral focus (i.e. not just an FBI-level focus but also a focus on the component sectors – woodworking, pulp and paper, printing and paper and board covering and packing);
- ◆ A real focus on implementing the actions set out in a new Communication.

The next section provides recommendations regarding the goals and focus of a new FBI Communication.

## 7.1. A NEW FBI COMMUNICATION - RECOMMENDATIONS

### 7.1.1. A New Communication – Strategic Goals

*A Dual Strategy to Secure European Value-Added*

We recommend 2 over-arching goals for a new FBI policy initiative:

*i. Promote FBI Competitiveness:* It is key that competitiveness considerations are at the core of a new FBI policy initiative. This involves:

- ◆ managing the existing regulatory framework within which the FBI sectors operate in order to identify and address issues which are deemed to constitute unreasonable or disproportionate constraints on FBI competitiveness (a *competitiveness monitoring* role);
- ◆ monitoring planned EU policy and legislative measures that could negatively impact FBI competitiveness and taking appropriate actions (a *gate keeping* role).

*ii. Promote and Leverage the FBI Sustainable Development 'assets' (key competitive strengths)*

The previous communication referred to sustainable development in one Action Area. Despite some acknowledgement of the sustainable development credentials inherent to some FBI products, one has the impression that the arguments are not always clearly articulated, and are under-marketed. In addition it seems at times that the FBI are fighting to combat negative image challenges and perceive EC environmental regulation with some apprehension. This needs to change.

We recommend a second core goal based on:

- ◆ Supporting the FBI in articulating with greater force the FBI's sustainable development credentials;
- ◆ Supporting industry efforts to promote the sustainable development credentials of FBI products.

We consider that this dual-strategy offers a number of advantages:

- ◆ It assures a policy focus around key industry concerns. Firstly, competitiveness issues and the regulatory burden are important for all FBI sectors. Secondly, leveraging the FBI's sustainable development credentials has been increasing in importance, as witnessed by the increasing number of industry initiatives to promote the FBI sectors;
- ◆ The second axe of the dual strategy for a new FBI Communication offers other advantages. For the FBI, it could offer significant prospects in increasing the potential of the EU and industry's efforts to nurture the public image of the FBI (existing Action Area 6) to a more positive situation;
- ◆ EC value-added is provided under Axe 1 by virtue of the fact that the EC focuses on providing the right business conditions for the FBI;
- ◆ Another key manner in which the Commission delivers real *European Value Added* is by helping these 'sustainability-rich' FBI sectors leverage 'official' Commission platforms (e.g. IPP Communication<sup>67</sup>) to show beyond argument why they are 'best-of-class'. For EU environment policy, the benefits include promoting model sectors and products;
- ◆ While the core tenets (competitiveness and sustainability) are the same as in the previous Communication, the focus is intended to be different, for example a much more aggressive and intensive communications effort, driven in part by operational programmes around specific products to clear target markets. Similarly, for competitiveness, a much sharper focus and follow-through is intended and recommended;
- ◆ A further innovation is that such a strategy represents an increased focus on markets – the first concern of FBI industry – away from an FBI concept dominated by supplier and raw material linkages, and as such offers a chance to bring increased value added to FBI players.

<sup>67</sup> It is however important to remember that the IPP Communication represents just one component to leverage of this wider strategy (i.e. it is just one of many means that could be considered in order to achieve the strategic goal of leveraging the FBI sustainable development assets). Should it not represent for the industry a significant possibility this does not negate the wider strategic goal of leveraging the FBI's sustainable development assets.

We believe that the above dual strategy, combining as it does a vigorous pursuit of FBI competitiveness (first axe) and a significant increase in the effort to support the promotion of the FBI's sustainable development credentials (second-axe) can, within a well-managed FBI Communication implementation effort, offer the prospect of significant results.

KEY MESSAGE 3
<p>It is recommended that a new FBI Communication adopts a core "dual strategy" built around:</p> <ul style="list-style-type: none"><li>◆ The promotion of FBI Competitiveness;</li><li>◆ The promotion and Leverage of FBI Sustainable Development 'assets'.</li></ul>

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### **7.1.2. A New Communication – Horizontal Objectives**

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We recommend that a new FBI Communication initiative be informed by the following broad horizontal objectives, as described in Section 5.3:

- ◆ *Increase awareness and political visibility;*
- ◆ *Ensure a level playing field for FBI;*
- ◆ *Influence EU policies and legislation to best take account of FBI concerns;*
- ◆ *Leverage and Tailor Existing EU Instruments to match FBI needs;*
- ◆ *Give the industry a policy vision.*

The rationale for these horizontal objectives is to:

- ◆ Take account of the fact that the implementation of a new Communication will take place in a horizontal EC operating environment;
- ◆ Address the fact that there were insufficient effective linkages between the Communication Action Areas and FBI concerns (partly due to no official EC action plan) in the previous Communication;
- ◆ Outline the key roles that DG Enterprise must play in order to make a new FBI Communication a success.

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### **7.1.3. A New Communication – Structure and Features**

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When contemplating whether or not to develop a new FBI Communication, elements from the previous Communication that we recommend be retained are set out below, as well as elements that we consider could usefully be added:

*What should be retained?*

- ◆ The section on economic weight and socio-economic importance of FBI the cluster;
- ◆ The FBI-Level analysis;
- ◆ The FBI-Level Recommendations.

*What should be added?*

- ◆ *A clear sector dimension:* A new Communication should contain both FBI-level analysis (including a sector-specific SWOT Analysis) as well as a profile of the competitive situation of each of the FBI

sectors and sector-level recommendations. This will allow each FBI sector to 'see itself' in the Communication and will help ensure greater buy-in;

- ◆ Recommendations at a specific sector level that are easily visible to the reader on the Communication, and show the actions for the different sector players;
- ◆ If, for reasons of time or need to keep the Communication document to a short length, summaries of the Sector Review can be made, and more complete Sector Reviews and Recommendations can be made available to interested parties (see section below on *Communicating the Communication*).

#### **7.1.4. A New Communication - Choosing Action Areas and Issues**

Regarding the Action Areas, we recommend that only one of the existing Action Areas be changed: namely the action area Enlargement. This could be dropped and re-incorporated into the existing Action Areas (in particular EU and International Economic and Regulatory Framework) – or a separate Action Area retained focussed on consolidating the New Member State Accession. Overall, we would have a slight preference for dropping it completely.

The Thematic Progress Reviews on the Action Areas in Section 4, coupled with the feedback from the Country Reports and the FBI European Federations, have already provided a significant list for issues for consideration for a new Communication. We recommend that the list of issues set out in the Tables in Section 5.3.4 be a starting basis on which to build a consultations process with the representative European FBI federations.

#### **7.1.5. A New Communication & A Policy Vision for the FBI**

It is recommended that consideration be given to the idea of working with the Industry to articulate some sort of strategic vision for the FBI. Whether this can already be articulated in a new FBI Communication is debatable. Such a vision will be by nature piecemeal, and will likely involve some key headline targets.

The value-added of such a goal and activity would include the following:

- ◆ Help define further the industry goals behind EU activity and provide feedback and a means of 'keeping score';
- ◆ Further work to develop the FBI Concept to provide more value-added for the FBI players;
- ◆ Related to the above, provide an increasing market dimension to the European Commission's work.

#### **7.1.6. Developing The FBI Concept & EU Policy Towards the FBI**

As mentioned in the Section 5, the application of the FBI concept to the European policy-making level would seem to have been a mixed experience. The research findings show differing levels of buy-in to the FBI cluster concept. In particular, significant sections of the printing and paper and converting and packaging sectors question their linkages with a number of FBI sectors, while country perspectives also show variations.

The perspective of European FBI sector federations would appear one of pragmatic acceptance. Most use the FBI platform to lobby European policy makers where the judge this is the most appropriate vehicle. Thus, during the recent industry lobbying on REACH, FBI federations were involved in at least 2 different lobbying platforms. This is not at all to say that the FBI federations do not find value in the FBI platform, indeed one federation considered without doubt that it was its most important EU-level alliance.

It is recommended that the following actions be taken:

- ◆ A pragmatic approach to the use of the FBI cluster label, with the base application being its use in an EU Policy-making sense;
- ◆ Further research and conceptual development work, including: i) actions to quantify the costs and benefits of the FBI approach in Finland, and in other countries, ii) research and information gathering to increase understanding on the level and nature of FBI sector linkages in the various EU Member States, and iii) exploring how the cluster concept could be further refined (e.g. develop 3 sub-groups within cluster – wood and wood-based products: pulp, paper, packaging and converting; printing).

In short, further development work on how the concept can have increased relevance and values for FBI stakeholders should be undertaken.

#### *An increased market focus*

It is recommended that in tandem with further developmental work on the FBI Concept, an increased market focus is given to EU policy towards the FBI. The FBI concept as it exists right now is focussed around intra-industry and supplier linkages. However the primary focus of for FBI businesses will tend to be their markets and customers.

We recommend that the European Commission support industry in helping to understand market developments. In part this process has de facto started, within such Action Areas in the FBI Communication as Communicating a Positive image. Such support could include:

- ◆ Undertaking forward studies on market developments and evolving customer needs and expectations;
- ◆ Identifying new market areas;
- ◆ Researching, benchmarking and disseminating good practices.

## **7.2. BUILDING STRONGER PROCESSES - RECOMMENDATIONS**

### **Introduction**

This section sets out a number of considerations and recommendations around the processes that we consider could usefully inform how a new FBI Communication is developed, publicised, and implemented.

#### **7.2.1. Developing A New Communication**

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As already mentioned, the consultation process for the FBI Communication has been well regarded by industry, and has generated strong levels of industry buy-in. It is recommended that the development process retains this focus on ensuring that FBI stakeholders are well consulted and retain maximum levels of ownership of the final Communication outcome.

The *Advisory Committee on the FBI* should be used as a channel to secure national input as part of the consultation process and for preparing the ground for further involvement in the dissemination and implementation phases.

In terms of timing, we believe that a preparation and consultation process launched in October of this year could be well advanced by end of 2004, allowing for the possibility of finalising a Communication during early 2005.

#### **7.2.2. Communicating and Disseminating A New Communication**

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It is recommended that the process of publicising the Communication should be significantly enhanced beyond efforts to disseminate the Communication per se. Enclosed are a number of recommended actions:

- ◆ Meetings to be held with senior management within DG ENTR to build awareness and understanding of the FBI Communication;
- ◆ Sector-specific summaries of the Communication mailings (online and offline) made available for distribution, both directly by the European Commission and by the European Federations.
- ◆ Consideration is given to developing thematic communiqués, e.g. the FBI Communication and Technological Innovation etc.;

- ◆ Meetings with the re-launched FBI Advisory Committee;
- ◆ Meetings and workshops held across EC services whose activity is most relevant to the work of implementing the FBI Communication (DG Markt, DG TREN, DG ENV, DG AGRI, DG Research, DG RELEX, Eurostat, etc.);
- ◆ National Workshops held, ideally hosted by a National Ministry or of the FBI National Federations, to discuss the Communication and how it can be used in the national context. The *Inset Box* provides an example of who the relevant participants might be and an outline workshop programme;
- ◆ Strong online availability of the Communication and the Various Messages on it (Sectoral, Thematic, Issue-Specific, National).

#### **National Workshops...Sample Agenda**

**The Invitees:** FBI federations (National, European), National government, companies, European Commission, national members FBI AC or working groups, special issue groups.

**The Host:** National Federation(s) or National Government.

#### **A Sample Agenda:**

- ◆ Understand national FBI context;
- ◆ Understand Government policy, new initiatives;
- ◆ Present New FBI Communication;
- ◆ Discuss actions at National level, identify synergies, identify possible duplication dangers;
- ◆ Exchange best practices.

### **7.2.3. Implementing A New Communication**

*Action Plan:* It is debatable whether an Action Plan should be published with the Communication. This would likely delay publication, and could possibly deprive the stakeholders of some flexibility. It is recommended that work begins on developing an Action Plan for Implementing the New Communication at the time the Communication is being finalised, and that issues are prioritised thereafter.

Assuming a 5-year implementation lifespan for a new Communication, a time span of 2.5 years would seem sensible for an Action Plan. This would then be followed by an updated Action Plan for the second 30 months. We recommend that the Action Plan be converted into one-year internal work plans for DG Enterprise.

*Planning:* It is vital that an Action Plan developed to implement the Communication sets out clear responsibilities for each action (lead and support roles). It is recommended that each action is developed into measurable, component steps, containing at least the following components:

- ◆ Nature of Action (e.g. legislation development, harmonisation, promotion activity etc);
- ◆ A clear definition of the problem and the expected situation (value) that is gained in addressing this challenge;
- ◆ Estimate of the resources needed (staff time, other costs);
- ◆ Other actions that need to be take before/during process (e.g. feasibility study, research gathering etc);
- ◆ Projected Implementation timeline;
- ◆ Implementation challenges expected and ranking of likely implementation difficulty;
- ◆ Stakeholders to be involved.

### **7.2.4. European Commission Organisation and Working Practices**

#### *EC Inter-Service Co-ordination and Communication*

Consideration should be given to setting up an *EC Intra-Services Task Force* to oversee implementation of the FBI Communication. This Task Force would ideally be composed of representatives of the key DGs relevant to the focus of the New Communication (DG Markt, DG TREN, DG ENV, DG AGRI, DG Research, DG RELEX, Eurostat etc.).

We also recommend setting up an *EC Inter-Service Relay Network* to act as a co-ordination and relay network for FBI-related matters within the European Commission. Ideally, the representative from each DG would be the same person active in the Task Force. The co-ordination role would include the following tasks:

- ◆ Facilitating inter-DG contact;
- ◆ Facilitating the communication of the EU's FBI goals and work within their respective service;
- ◆ Providing updates to DG ENTR regarding planned work initiatives (new policy, new legislation planned etc) of possible relevance for the FBI;

- ◆ Acting as a relay for industry and other FBI stakeholders wishing to meet representatives of their Service;
- ◆ Working with DG ENTR to troubleshoot on specific concerns that may arise;
- ◆ Helping FBI understand the goals and work of their DG/Service.

#### *FBI Unit Organisation and Staffing Levels*

Regarding the FBI Unit within DG ENTR, it is recommended that the organisation of the unit's be work be developed such that there is one staff member with overall responsibility for each core FBI sector. This would help in simplifying accountability during the implementation of the Communication and provide a clear sector-specific contact point for industry stakeholders. Such a sector-based allocation of responsibilities could co-exist with other horizontal issue responsibilities (e.g. climate change, FBI image, etc) with a matrix-based framework.

In tandem with the development of an action plan for any new FBI policy initiative, it is recommended that the staffing levels of the DG Enterprise FBI unit be reviewed. While an organisational review of European Commission services was not part of this evaluation mandate, it would appear that staffing levels in the DG Enterprise unit have hardly been commensurate with the scale and width of actions covered by the FBI Communication, not to mention the FBI Unit's ongoing work.

### **7.2.5. Policy Dialogue Mechanisms**

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Most of the recommendations regarding enhancing policy mechanisms have been covered in the above sections, with the exception of the FBI Forum. The research feedback suggests that the FBI Forum has been an important 'vehicle' for fostering the learning process of the last five years that many FBI players credit as being one of the primary successes of the FBI Communication.

Based on the research feedback, we would recommend that:

- ◆ The FBI Forum is retained as a core element of the dialogue and communication processes to support the Communication through its different stages;
- ◆ The FBI Forum is integrated much more tightly in the work programme of the Communication, especially during its implementation phase, to be used for example as a platform to communicate successes, draw the lessons from failures, to update FBI players on progress on implementing the Communication's work programme and to share new research and good practices;
- ◆ Consideration should be given as to whether a more permanent 'online' dimension to the FBI Forum could be developed. This could act as a centre for updates on progress in implementing the new Communication, hosting discussion on specific issues, launching mini-surveys on policy issues etc.
- ◆ A more sectoral focus is given to the FBI Forum. This could be achieved, for example, by: i) having a programme structure comprising separate parallel streams for each of the FBI sectors (printing, woodworking etc.), ii) a limited number of FBI-sessions organised around issues of clear pan-sector interest (e.g. new legislation update, update on Image & Communication activities), iii) specific Issue and Thematic Workshops crossing between 2 or more sectors, depending on the interest (e.g. New Member States – Structural Funds workshop).

### **7.2.6. Final Comments**

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One should not underestimate the importance of working on policy dialogue mechanisms and horizontal support processes. As in business, good processes provide greater leverage and return on resource investments (staff, finance, tasks etc). Putting good work processes in places will, we believe, help lay the foundation for a quantum leap in the effectiveness and impact of a new FBI Communication, and leverage the valuable work and learning acquired during the previous five years, in particular in terms of the FBI's increased visibility, stronger consultation and policy dialogue mechanism and enhanced understanding of the challenges in implementing policy recommendations.