

Fostering Self Regulation and Sustainability: The Role of the European Chemical Industry Council (CEFIC)

Professor Phil Harris

Department of Marketing, School of Business, Dunedin,
University of Otago, New Zealand

Background

CEFIC is one of the oldest trade associations within the European Union (EU) and plays a major role in representing science-based industries' interests. The Brussels-based CEFIC (European Chemical Industry Council) was founded in 1972, and is an industry group made up of European national federations, individual companies, issue-based lobby organizations and 'senior advisory groups' of the chemical industries which together represent 30% of global chemical production. The chemical industries core business is the production of polymers and plastics, particularly polyethylene (PE), polypropylene (PP), polyvinyl chloride (PVC), polyethylene terephthalate (PET), polystyrene (PS) and polycarbonate (PC) which make-up about 80% of the industry's output worldwide. Eleven members of the European Roundtable of Industrialists (ERT) also lobby with CEFIC, among them chemical giants Bayer, and Rhône-Poulenc. Represented on CEFIC's board are biotech lobby group EuropaBio, APPE (Association of Petrochemical Producers in Europe) and ECPA (European Crop Protection Association). CEFIC also includes two influential senior advisory groups: SAGEP which deals with trade and economic issues, and SAGE which focuses on the environment.

The chemical, plastics and rubber industries in Europe represent some of the largest business sectors in Europe. The latest industry sector estimates suggest it generates more than 3 million jobs and involves approximately 60,000 companies across the EU. During the past decade the European chemical sector has made up two thirds of the entire manufacturing trading surplus of the EU. Although in recent years the sector has seen slower growth and a particular contraction in the production of bulk petrochemicals which have moved offshore from Europe and closer to raw material (oil) producing sources such as the Middle East. Recent increases in oil prices, once passed on to users are expected to lead to a boost in profitability in the sector due to improved margins. Although a slowing down in consumer demand will inevitably impact upon output levels over the next decade, especially as the automotive, building and electrical goods sectors are major users of the industries products. The chemical sector also accounts for 12% of the EU manufacturing industry's added value. Companies represented by CEFIC include Akzo, BASF, Bayer, Borealis, Ciba, Dow, Du Pont, ExxonMobil, Perstorp, Shell, Solvay, Total, Wacker Chemie and numerous others.

As one of the world's largest industrial sectors, the chemical industry as a whole makes a significant contribution to employment, sustainability and development of the citizen consumer and their welfare around the globe. CEFIC represents, directly or indirectly, just less than 30,000 large, medium and small chemical companies which employ about 1.3 million people and account for nearly a third of world chemical production across a range of sectors supplying the agriculture, building, business, consumer, industrial,

pharmaceutical and technical markets amongst others. Western Europe is the world's largest chemicals producing region, accounting for nearly a third of estimated world production. In 2006, 14 out of the top 30 world chemical producers had their headquarters in the EU representing 16% of world chemicals sales. These 30 companies had a combined sales turnover of €526 billion. This was a significant increase compared to the previous year and reflects not only high sales in 2006 but also the rapid consolidation of the chemicals sector.

CEFIC members are composed of:

1. [Corporations](#), with a production base in Europe and a worldwide turnover in chemicals of more than € 1 billion;
2. [European national chemical federations](#);
3. Sectoral businesses with a production base in Europe and a worldwide turnover in chemicals of less than € 1 billion.

CEFIC as a trade association enables the European chemical industry to be an active partner in the making of public policy in the EU and elsewhere at the international level, particularly alongside the WTO. Its knowledge of the European legislative infrastructure enables CEFIC to gain early warning of policy strategy enabling members to prepare for, and thereby minimize any adverse impact of EU and other international legislation. Given the considerable restructuring of the international bulk polymer and petrochemical businesses in Europe over the last decade (Harris and Dodd, 1996 and Harris and Harris, 2004) and the growth in concern about sustainable businesses has meant a close working relationship with Brussels and national government bodies on competition policy. The group enjoys good access to EU institutions, particularly the European Commission where it has long term relations with some of the most influential directorates, such as DGI (Trade and External Economic Relations), DGIII (Industrial Affairs) and DGXV (Internal Market). The former EU Trade Commissioner Sir Leon Brittan commented on CEFIC's approach within the EU that it "has been very effective in being the mouthpiece of the chemical industry, and it has been effective as far as we in the Commission are concerned [...]. The real secret is that although the occasional meeting of the highest level is useful, it is the continuous contact at working level which is even more crucial [...]. Above all, be timely and, that is to say, tell us in good time if you think that something needs to be done and even more so if you think something is cooking that ought to be nipped in the bud" (Britton, 1997).

National industry federations play an active role in CEFIC's strategy by making the case for chemicals both at home and in the EU Council of Ministers. According to a CEFIC spokesperson, "Their [the national federations'] influence and importance in the national political arena lies in the fact that they are established players" (Saham, 1995). In Brussels, CEFIC's voice is strengthened by those of other influential industry lobby groups, such as the European Roundtable of Industrialists (ERT) and UNICE, the European employers' organization. CEFIC also outreaches to other sectors of society with its chemical messages, e.g. sponsoring awards and museum programmes for students.

From the industrial point of view its main objectives are:

1. to ensure the completion of an internal EU market for chemicals;
2. to encourage competitiveness of the sector;

3. to encourage the sector to actively contribute to the policy objective of sustainable development;
4. to have available comprehensive and up-to-date economic and technical data on the sector; and
5. to communicate relevant information on important EU developments to representative bodies and to consult them as appropriate.

Public Affairs Management Approach

In its continuous drive for self-regulation rather than government intervention, the chemical industry promotes the Responsible Care (RC) programme which aims to "improve all aspects of performance which relate to protection of health, safety and the environment" (ICCA, 1995). Based on a set of guiding principles, the programme is implemented by the national chemical associations.

Responsible Care was initiated in 1984 by the International Council of Chemicals Associations (ICCA), of which CEFIC is a member. Responsible Care is the chemical industry's international voluntary initiative under which companies, through their national associations, work together to continuously improve their health, safety and environmental performance, and to communicate with stakeholders about their products and processes.

The Responsible Care ethic is aimed at ensuring the industry operates safely, profitably and with due care for future generations, and has been commended by United Nations Environmental Programme (UNEP) as making a significant contribution to sustainable development at the World Summit on Sustainable Development in 2002.

The role of CEFIC is to represent its members' interests and lobby on their behalf, so it is important that it represents the role of all members rather than individual member companies. Given this remit, why do you think Europe's chemical companies need an industry lobby group?

References

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Questions and Discussion Pointers

- 1. Using your knowledge of environmental scanning, based on the Michelin Case, assess the likely issues that will impact on the European Chemical Industry over the next decade and how it should respond to each of these.**

Using a strategic issues analysis, assess relevance of major issues impacting on European chemical industry.

These will include:

- Patent protection
- Non regulation of bioscience
- European harmonization and enlargement
- Supportive tax regime
- Sustainability, particularly recycling and fuel consumption and emissions
- Carbon tax
- Oil prices and stability of supply
- Research and Development grants

- 2. Applying PESTLE Analysis to the European Chemical Industry what do you see as the pivotal issues that will impact on it in the next decade? Which of these issues require an industry response rather than a company one and why?**

Application of PESTLE Analysis.
Best Plan/Analysis.

Individual company responses are normally national issues such as tax, government support, training of workforce and government contracts and infrastructure investment.

Industry response is required alongside environmental lobbying/pressure, sustainability, patent protection, oil prices and security of supply.

- 3. Do you think the chemical industry should regulate itself or be regulated by the EU and national governments?**

Points to consider:

- How would the EU police regulation?
- What measures could be adopted as penalties and incentives?
- Could the EU carryout regulation in each member state and how?
- Self regulation argument.
- Freedom to police own industry.
- Gentle pressure from government can lead to change and positive transparent responses.