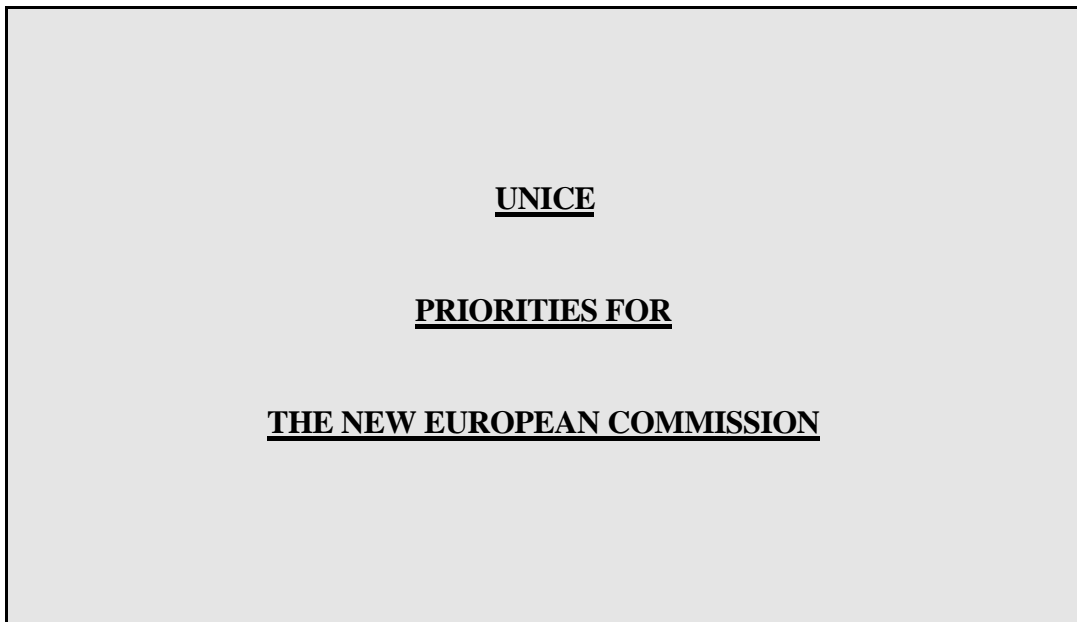




1 October 1999



ABOUT UNICE ...

UNICE - the Union of Industrial and Employers' Confederations of Europe - is the voice of business vis-à-vis the institutions of the European Union. Its 39 members are the multi-sectoral industrial and employer organisations from 31 European countries, representing more than 16 million companies, mostly small and medium-sized enterprises. UNICE is also a partner in the Social Dialogue at EU level.

UNICE's principal mission is to inform and influence the decision-making process at EU level so that policies and legislative proposals which affect business in Europe take account of companies' needs. UNICE's overriding priority is to promote competitiveness of the European business and investment environment, the only way to achieve higher growth and durable employment.

BUSINESS NEEDS AN EFFICIENT COMMISSION ...

European business must be able to operate in a stable, coherent and predictable EU legislative and regulatory environment. An effective Commission can be an objective ally for the business community in seeking to develop a more competitive European economy. Europe's relative underperformance in terms of weak growth, low employment rates, and insufficient incentives to invest and to innovate, reflects at least in part policy weaknesses by European governments and the EU institutions. UNICE therefore calls on the new Commission to put competitiveness on top of the political agenda and to make it the key strategic objective of all its policies.

UNICE also welcomes a number of recent changes in the Commission's methods of operation, aiming to improve the quality, coherence and management of different EU policies which have a direct impact on companies. In particular, it welcomes the decision to consolidate a number of separate policy responsibilities into one horizontal directorate for enterprise and the information society. To improve consistency further, UNICE would generally support reorganisation of other related policy areas.

In future it will be important for European business that the Commission ensures implementation of the new Treaty's obligations with respect to:

- systematic and timely consultation of all interested parties as soon as new measures are envisaged (use of green and white papers); the outcome of such consultations should be made public and full account taken of advice given by those concerned;
- compliance, on a verifiable and objective basis, with the principles of subsidiarity and proportionality, from the earliest stages of definition of new proposals. Where EU legislation is necessary, it should be better drafted and developed through a more open and transparent regulatory system, based on independent impact assessment and cost/benefit analysis.

EUROPE NEEDS MORE ENTERPRISE ...

Enterprise is the key to economic development, higher living standards and sustainable social progress. Achievement of these objectives requires, above all, a dynamic and competitive enterprise sector, efficient markets and regulatory frameworks to encourage innovation, as well as market-oriented public policies.

Despite recent improvements in the overall macroeconomic environment, notably linked to the establishment of EMU, the EU business environment remains less supportive of entrepreneurship

than that of other developed economies outside Europe. As a result, growth and development of new businesses, particularly SMEs, is held back.

To improve Europe's overall economic performance and, critically, its ability to generate many more new jobs, it is therefore essential to improve the business environment for entrepreneurs in many Member States. UNICE's priorities to bring about such a supportive environment have been detailed in a recent benchmarking report. Action is needed, at all appropriate levels, to:

- reduce excessive fiscal and regulatory burdens on the private sector and increase the efficiency of public sector activities;
- enhance openness, flexibility and adaptability of all markets;
- foster the spirit of enterprise and establish a better balance between risks and rewards of doing business in Europe.

To the extent that virtually every aspect of company life is affected by EU policies and legislation, the Commission has an important role to play in shaping a more favourable business environment in Europe. Competitive pressures will continue to increase under the combined effects of globalisation of economic relations, technological progress and the advent of electronic commerce. A key challenge for the Commission as well as for national governments, will be to facilitate and accompany the process of continuous structural change, rather than slow it down.

REAPING THE FULL BENEFITS OF EMU ...

The success of EMU is vital for European competitiveness. Creation of a broad euro area of macroeconomic stability, low inflation and low interest rates benefits enterprises and consumers alike.

The single currency and sound macroeconomic policies will not, however, solve all problems. They must be accompanied by further economic and structural reforms – in line with the objectives of the so-called “Cardiff” process. In particular, action is needed, by the Commission as well as by national governments, to:

- pursue sound budgetary and fiscal policies consistent with the disciplines required for durable convergence, economic growth and the absolute requirement to reverse the trend of excessive overall tax burdens on business in most Member States. The EU taxation strategy must be recast in this framework;
- develop a pan-European capital market and support the establishment of truly liberalised and competitive markets for financial services; without progress in these areas, the full benefits of the single currency in terms of lower financing costs for companies and greater consumer choice will not be reaped;
- make labour markets more efficient and maximise the benefits in terms of employment creation, given that national monetary policies can no longer compensate for uncompetitive cost and institutional rigidities.

Under EMU, a more effective framework for economic policy cooperation, particularly in the euro-11 context, is desirable but it is a means and it should not be pursued for its own sake. The Commission will, however, have to ensure that existing Treaty provisions on convergence, stability and multilateral surveillance are effectively implemented by Member States. Similarly, it will be important for business to be able to communicate effectively the needs of the real economy to

European economic and monetary authorities. UNICE intends to be an active partner in the new Macroeconomic Dialogue together with the Commission, the Council and the European Central Bank.

The Commission will also certainly have a central role to play in the run-up to the physical introduction of the euro on 1 January 2002. This will require thorough preparation, both technical and psychological, and involvement of all the economic operators concerned in Member States. At the EU level, UNICE is ready to contribute to all appropriate information and communication initiatives to ensure a smooth introduction of the euro.

COMPLETING THE SINGLE MARKET ...

Despite very good progress, which has already had a positive impact on growth and employment, the potential of the single market has still not been fully exploited. Completion and consolidation of the single market must be an overriding priority for the new Commission since a better functioning single market is also an essential condition for the success of EMU.

In several areas of special importance to business, the single market still functions imperfectly or it is incomplete. Thus, in particular:

- legal and tax problems continue to be major obstacles to the emergence of competitive pan-European business structures, as well as to cross-border operations and investments. The new Commission should seek to refocus the EU approach to these problems on the actual needs of companies in the single market;
- full liberalisation of public procurement, utilities, transport and financial services is incomplete and implemented unevenly across Member States;
- excessive levels of industrial state aid continue to distort competition, reduce efficiency and prevent much needed restructuring; the Commission's recent proposals to modernise EC competition law should be reviewed to limit the risks of re-nationalisation of competition law and fragmentation of the single market;
- standardisation and mutual recognition of national regulations remain insufficient in many Member States; the introduction of new rules and norms which differ between Member States, notably linked to the environment and health, is creating new barriers to trade;
- completion of the single market in the field of intellectual property needs to be given higher priority and political support.

In addition to taking action to speed-up the implementation of agreed market liberalisation measures, the Commission should take action to simplify the regulatory environment in order to increase the effective level of competition in many of these markets. The Commission should continue to use "SLIM" initiatives for regulatory simplification. However, a general rather than a piecemeal approach is needed. Business should be fully involved in the selection of initiatives and, above all, implementation by the Council of resulting recommendations should be substantially improved.

Over the next few years, the development of the information society and, in particular, of electronic commerce, is expected to radically transform the business and trade environment, internationally as well as within the European single market. Business asks the Commission to anticipate the effects of these changes by promoting the establishment of a forward-looking and constraint-free electronic commerce environment, adapted to the needs of users and providers alike.

EMPLOYABILITY IS THE KEY TO MORE JOBS...

Europe urgently needs more employment creation to bring down its excessive levels of unemployment which, in contrast to other advanced economies, are both much higher and predominantly of a structural nature.

This can only be achieved, and sustained, through improved competitiveness, higher economic growth and effective structural reforms, especially of labour markets, aiming to:

- increase their flexibility and efficiency;
- lower excessive overall costs of employment;
- enhance employability rather than overprotection of the workforce.

Most of the necessary reforms to achieve these objectives must be taken in Member States, not at EU level, given the great diversity of national situations and labour market practices. However, the Commission plays an important role through the European employment guidelines and as facilitator of benchmarking and exchanges of experience with a view to promoting best practices, as opposed to forced harmonisation.

UNICE supports an integrated employment strategy that is consistent with monetary stability and budgetary discipline. However, with regard to the "Luxembourg" employment process, it is concerned to see that Member States have tended to concentrate on the less demanding recommendations and have not made progress on key issues, such as the reduction of the overall tax burden on business and of indirect labour costs. For the future, the Commission should give priority to ensuring an even-handed implementation of the agreed employment guidelines, rather than proposing new ones.

For far too long, employment policies have been mainly equated with social policy approaches, including at EU level. The time has come to adopt a more broadly-based economic approach, respecting the principles of subsidiarity and proportionality. Furthermore, within their areas of competence, priority should be given to action by social partners at all appropriate levels.

In this context, the European social dialogue can play a useful role as long as objectives and responsibilities are well understood, and the autonomy of the partners involved is respected. For the social dialogue process to be successful, including where justified through negotiation of joint agreements, it is essential that the EU institutions and, in particular the Commission, adopt a more even-handed position than has been the case in the past vis-à-vis policy initiatives that are the subject of discussion between the social partners.

MOVING TOWARDS SUSTAINABLE DEVELOPMENT ...

Sustainable development must be based on a balance of environmental, economic and social policies, which are integrated into coherent Community overall policy approaches. UNICE stresses that integration of these policies must become a key priority for all Community Institutions.

- UNICE calls for the introduction of an overall EU environmental policy framework, designed to strengthen and motivate companies' own environmental initiatives, encourage development of new multi-stakeholder partnerships, as well as to ensure an improved quality of legislation which can be implemented effectively.

- Climate change is one of the greatest challenges of sustainable development and integration. Motivation, leading to voluntary action, will be particularly important in changing the attitudes of all consumers. National and Community action is needed to support voluntary initiatives and long term agreements, which will be key elements in industry's contribution to mitigating greenhouse gas emissions. Flexibility of response will be a crucial aspect to ensure industry responses are cost-effective. For UNICE, agreeing rules for the Kyoto mechanisms is a priority because, if properly designed, they offer such flexibility and can have an important role in providing cost-effective options.

MAKING A SUCCESS OF EU ENLARGEMENT ...

Integration in the European Union of the accession candidates is one of the greatest challenges facing Europe in the coming decade. The process is complex, but what is at stake is vital for security and prosperity in Europe. Enlargement, based on the principles of democracy and market economics, represents a unique opportunity to improve the competitiveness of companies in the EU and in the candidate countries, a source of growth and jobs. The main economic conditions for success are:

- complete adoption of the *acquis communautaire* and its implementation. Both of these are necessary to ensure the smooth functioning of the enlarged single market. The date for each candidate country's accession to the Union must be linked to this condition being met. Transition periods will have to be negotiated for a number of particularly delicate questions, but these should be as limited in scope and as short in duration as possible. EU assistance should facilitate the reforms and adaptations made necessary by adoption of the *acquis* in these areas;
- close consultation, across Europe, of companies and their professional organisations throughout the enlargement process. The success of reforms depends on their full support for the process. Actions by UNICE and its member federations seek to strengthen representative organisations in the candidate countries so that the latter can play their full role at national level and help their members to adapt to the *acquis communautaire* and come to grips with increased competition.

In the post-Kosovo context, the role of the private sector is crucial for the economic recovery of the region. In that context, European business attaches great importance to implementation of the Stability Pact for South Eastern Europe and the new EU Stability and Association process for these countries, which aims at bringing them closer to the prospect of full integration into EU structures, through new contractual relations (Stabilisation and Association Agreements). UNICE calls on EU authorities to be closely consulted on the business-related aspects of these initiatives.

STRENGTHENING THE PRESENCE AND INFLUENCE OF EUROPE IN THE WORLD ...

The interdependence of economies is growing, globalisation of markets is intensifying. If the European Union is to gain the full benefits of these profound changes, substantial adaptations to its external economic policy are necessary, aiming, in particular, to streamline and consolidate EU competence in related trade policy matters. The voice of the EU in the international bodies which define the ground rules for this new international environment will be more effective and European interests better defended as a result.

- The European Union should be in the leadership at the World Trade Organisation (WTO): the EU represents around one fifth of world trade in goods and one quarter of trade in services. European markets are very broadly open to goods, services and investments from non-EU

countries. The EU receives around 20% of world imports. UNICE actively supports this policy of openness. In return, it expects comparable access to the markets of its trading partners.

- To achieve this objective, UNICE fully endorses pursuit of market opening in the framework of rules defined and accepted jointly in the WTO. It actively supports launch of a new comprehensive round of negotiations in the year 2000. This round must be forward-looking, and seek to strengthen and deepen the multilateral trading system. Among other things, it must attack all obstacles which hold back the development of economic activities while ensuring that other objectives of general interest are met, notably in the areas of environment, social standards, health and development. Development of WTO rules for international investment is in the interests of all WTO members.
- The EU should strengthen partnership with its trading partners: in parallel with the multilateral approach, UNICE supports a deepening of the EU's relations with its partners at bilateral and regional level. It is essential that the agreements covering various types of cooperation concluded in this way are balanced and contribute to liberalisation and expansion of world trade in conformity with WTO rules.

CONCLUSION

Strong overall competitiveness of the economy is a key condition for building and enlarging a prosperous European society in the next millenium.

UNICE is ready to play its part in helping the EU institutions to make progress towards realisation of this objective. It hopes and expects the new Commission to consult and involve representative business organisations systematically in the EU policy-making process. To be effective and therefore of real value to both sides, consultation must take place as early as possible and be conducted in a transparent fashion.

This general memorandum outlines the key policy objectives and guiding principles which UNICE would like to address to the Commission as a whole. Separate submissions will be addressed to individual Commissioners within their specific areas of responsibility.
