

UNICE

THE VOICE OF BUSINESS IN EUROPE



LISBON STRATEGY

Status 2003

*“Time is running out,
action needed now”*

"The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion."

Presidency conclusions, Lisbon European Council, 23-24 March 2000

What is UNICE

UNICE is the leading independent organisation representing European business. Its members are 34 central industrial and employers' federations from 27 countries, speaking for more than 16 million companies, the vast majority of which are small and medium-sized. Altogether, these companies provide employment for more than 106 million people. They have a total annual turnover of around € 12,500 billion.

As an umbrella organisation, UNICE promotes since 1957 the common professional interests of European companies of all sizes and in all sectors. It is an active player in the European social dialogue, provided for in the Treaty on the European Union.

UNICE's mission

Actively promote and represent business interests in Europe.

Advocate a favourable and competitive business environment in order to foster sustainable economic growth.

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Message to the EU Presidency



Georges Jacobs
President of UNICE

Philippe de Buck
Secretary General of UNICE

As the Lisbon Strategy **enters its third year**, UNICE would like to express its concerns about the state of competitiveness in Europe.

The European economy is failing to break out of its lethargic state. Growth rates are not taking off. Consumers lack confidence. Entrepreneurs are postponing investments, watching the uncertain economic climate mistrustfully. Rigidities in key markets persist. And excessive labour costs are adding to the gloomy employment situation. Lower costs and taxes for business, simplicity and less red tape are necessary. Several large countries in the Euro-zone are failing to abide by the rules of the Stability and Growth Pact and thus undermining the political credibility of the whole zone.

This does not have to be so! Although the world economy has slowed down overall, **our main competitor, the United States, is still experiencing higher growth rates.** Whereas growth in the Euro-zone will have stayed well below 1% in 2002, US growth figures for the same period are estimated at almost 2.5%. This is due to its entrepreneur-friendly environment, which makes businesses more ready to react to changes and seize new opportunities. Productivity growth has been consistently higher thanks to the better use of new technologies in the production process as well as more adaptable labour markets. The value chain in the US adds higher value to products and services.

Europe has not managed to become its own growth motor but remains widely dependent on activity in the outside world. Therefore European policy-makers should finally focus on the real problems of our economy.

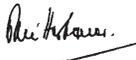
As was expressed in a recent report by the European Central Bank: it is important that **governments overcome their inertia in implementing structural reforms**, both within the area of public expenditures, revenues and labour, financial and product markets.

All this makes it more important than ever before to maintain the momentum of the Lisbon Strategy. However, **most Member States are lagging behind in implementing the legislative measures needed to reach the Lisbon goals.** The current economic slowdown must not serve as an excuse for watering down the Lisbon goals and agenda. On the contrary, the clock is ticking: the Lisbon Strategy must integrate the candidate countries and thus gain new impetus from enlargement. In order to reach the goals initially set three years ago, the spring summit 2003 must revitalise the whole Lisbon Strategy.

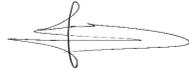
UNICE, speaking on behalf of 16 million small, medium and large enterprises, **has established a set of top priorities for business** on which the next summit should concentrate as they would produce the most immediate and fruitful results for EU competitiveness and thus for growth and prosperity throughout Europe.

In our Lisbon Strategy/Status2003 paper, supported, as you will see on the next page, by the **Presidents of 34 industrial and employers' federations in 27 countries**, you will find these priorities worked up into specific recommendations.

UNICE's Presidents of all the national business organisations



Peter Mitterbauer - **VÖI**
Austria



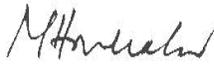
Luc Vansteenkiste - **VBO-FEB**
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Denmark



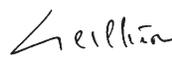
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Michal L'ach - **AZZZ SR**
Slovak Republic



Fritz Blaser - **Confederation of Swiss
Employers** - Switzerland



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Switzerland



Refik Baydur - **TISK**
Turkey



Tuncay Özilhan - **TÜSIAD**
Turkey

KEY POINTS

Foster entrepreneurship in Europe

Policy-makers must make it easier to "do business" in Europe by promoting an entrepreneurial culture.

As expressed in the Barcelona Presidency Conclusions, entrepreneurship is key to growth and job creation. The Lisbon goals must be rebalanced towards economic and entrepreneurial issues.

This includes continued deregulation in important business areas like financial markets, the energy sector or transport and postal services. At the same time, measures that increase the regulatory burden for companies and thus make life more difficult for entrepreneurs are counterproductive for the Lisbon goals. Lower costs and taxes for business, simplicity and less red tape are necessary.

Make innovation happen

Europe, a place where good ideas and inventions should turn naturally into innovation.

The quantity and quality of R&D spending have to be increased and the appropriate fiscal and regulatory framework - like a Community patent - put in place.

Unfortunately, the ambivalence of European biotechnology policy is symptomatic of a climate which all too often hinders innovation or drives it out of the EU.

Unleash the single market

Ten years after the supposed completion of the single market, Europe must finally enable entrepreneurs to make full use of it by implementing the internal market directives promptly and properly throughout all Member States as well as by realising the necessary infrastructure.

All too often, myopic national considerations prevent the European markets - be it for public procurement, gas, electricity, transport, telecommunications, postal or financial services - from unfolding their huge potential and thus hurting everybody in the

long run. Examples of these tendencies are the debate on "services of general economic interest" and the recent political compromise over issuer choice in the prospectus directive.

Beyond the framework of the Lisbon agenda, efficiency of the internal market will also necessitate the removal of tax barriers to cross-border business, for instance transfer pricing, cross-border business integration or cross-border loss compensation.

KEY POINTS

Ensure the strength and efficiency of human resources

The quality of their workforce is decisive for the success and well-being of modern economies.

The workforce of the 21st century must be flexible, educated, technology-oriented, freed from unnecessary cost burdens and continuously learning.

Bearing that in mind, European policy-makers should refocus the EU employment strategy, keep the momentum in pension reforms and undertake concrete steps for national implementation of comprehensive lifelong learning strategies, if they are to meet the employment targets set in Lisbon.

Strive for sustainable development

It is essential that European policy-makers find a mature balance between economic, social and environmental issues in line with the Johannesburg Summit conclusions.

For example agreements between public authorities and industry as the most effective and efficient way of controlling greenhouse gas emissions.

An important element of effectively combating poverty to the benefit of all is the promotion of free trade within mutually agreed rules.

ENTREPRENEURIAL SPIRIT

UNICE's expectations

Business calls for favourable framework conditions for more dynamic entrepreneurship. A high level of entrepreneurial activity has a direct impact on the overall economic performance of the EU. UNICE requests the Commission to identify a focused set of actions to foster entrepreneurship in the forthcoming Green Paper. Lower costs and taxes for business, simplicity and less red tape are necessary.

* * *

Entrepreneurship is key to growth and job creation, as was rightly expressed in the Presidency Conclusions of the Barcelona Summit. Entrepreneurs create new sources of wealth, replace old inefficient firms with new innovative ones, and create new jobs. Setting up favourable framework

conditions for entrepreneurship is of relevance not only for individuals launching a new business enterprise and for small firms to survive, grow further and develop, but also for large firms to continue being entrepreneurial, to adjust and grow.

UNICE's RECOMMENDATIONS

- ✓ **Promote the spirit of enterprise throughout European societies.** All members of society should be made more aware of the key role of entrepreneurship in improving economic well-being. An entrepreneurial culture and skills should be supported in schools and universities and among the working population to encourage individuals to become entrepreneurs. Networking between small and large firms should be promoted to create business opportunities for small firms whilst allowing large firms to spread risks and increase flexibility.
- ✓ **Create room for entrepreneurs and reward risk-takers.** A stable and supportive macro-economic environment and an efficiently functioning single market are essential for entrepreneurship. Reducing the tax burden is of direct relevance to increasing rewards for risk-takers, the prospect of which is elemental for entrepreneurs. A high level of government expenditure, in combination with a high level of taxation, damages consumer and business confidence and penalises entrepreneurship.
- ✓ **Release market potential and decrease obstacles.** The issue of administrative burden

and over-regulation is of major interest for entrepreneurship. In particular barriers to market entry such as excessive procedures to obtain permits, licences and approvals are damaging. Europe should be committed to reducing these obstacles and calculating the direct and indirect costs of regulations and procedures, for instance by means of establishing a non-political agency independent from the EU institutions. Barriers to exit from markets caused by high penalties associated with failure should also be reduced to alleviate the hardship of failure and create a culture where it is commonplace to restart a business after failure.

- ✓ **Ensure financing of entrepreneurship and employable workforces.** Entrepreneurs have to raise money and hire talented staff. Lack of financing is one of the most significant barriers to the start-up and growth of businesses. A well-functioning capital market and appropriate public support initiatives are essential for entrepreneurs. To secure a qualified workforce it is necessary to increase the provision of scientific, technological and management courses throughout the education system. Also, common rules on the mutual recognition of qualifications in the EU should be improved and simplified to increase mobility.

"Entrepreneurial spirit is essential for a more dynamic enterprise culture in Europe and must therefore be enhanced throughout the education process. We need to generate a more favourable attitude to risk-taking, and to promote and encourage people who are prepared to take risks. We urgently need to change mentalities, starting at school, by explaining the positive aspects of entrepreneurial activity as an opportunity open to all."

José Maria Cuevas, President of CEOE

RESEARCH & DEVELOPMENT

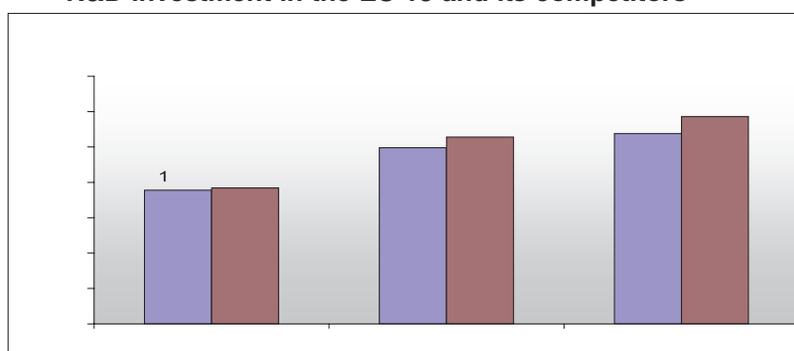
UNICE's expectations

To reach the ambitious goal set at the Barcelona Summit, namely to increase R&D spending from 1.93% today to 3% of the GDP by 2010, public authorities must improve framework conditions by creating a stimulating financial and reliable legislative environment for private R&D and innovation spending in the Union. UNICE expects the Commission to identify a focused set of actions by early 2003.

* * *

The Commission has released a Communication on "More research for Europe, towards 3% of GDP", which aims at launching a debate on best practices to increase R&D spending, acknowledging that framework conditions for private R&D investment have to be improved. This is strongly needed due to the fact that, according to the European Council itself, two thirds of the total R&D investment in the EU should come from the business sector.

R&D investment in the EU 15 and its competitors



UNICE's RECOMMENDATIONS

- ✓ Establish a legislative and **regulatory environment attractive** for R&D investment and remove barriers to innovation
- ✓ Make **national research policies** in Europe **more coherent** in order to avoid unnecessary duplications, and make EU research policy more coherent with related EU policies
- ✓ **Use public financing more effectively**
- ✓ **Increase the Commission's R&D expenditures** and spend its limited financial means in a more efficient way
- ✓ **Analyse and implement appropriate** and effective direct, indirect and background **financial instruments** for the promotion of R&D
- ✓ **Encourage** young people's, especially girls', **interest for natural science**
- ✓ **Turn "brain drain" into "brain gain"**, attract non-EU researchers
- ✓ Make consideration of **variant tenders** in public purchasing the rule rather than the exception
- ✓ **Adopt rapidly a Community patent** that can meet user's needs in terms of quality, cost-effectiveness, legal certainty and, ultimately, support EU competitiveness

"The 3% objective will only be achieved if Europe radically improves European centres of excellence, skills and education, builds a more supportive regulatory environment for R&D and innovation, a coherent approach across EU policies, and a strong and vibrant public research sector"

Luc Vansteenkiste, President of FEB

LIFE SCIENCES AND BIOTECHNOLOGY

UNICE's expectations

Business calls for the proper and rapid implementation of the Road Map for Life Sciences and Biotechnology. All Member States should adopt and implement similar national strategies.

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On 26 November 2002 the Competitiveness Council endorsed a Road Map for the implementation of the Commission's Action Plan for Life Sciences and Biotechnology, which calls for the responsible development of biotechnology in Europe. Member States are to ensure and improve the legal protection of biotechnological inventions as well as improving public debate. Biotechnology has always been acknowledged as a priority for reaching the goals of the Lisbon Strategy.

Yet, a European "schizophrenia" can be perceived: despite the endorsement of the Road Map, regulatory obstacles and uncertainty are discouraging investments in biotechnology. The opportunities are less attractive than elsewhere, and biotech business activities and researchers are leaving Europe.

Implementation of directive 98/44 on the legal protection of biotechnological inventions

A	B	D	DK	SF	F	GR	IRL	I	L	NL	P	E	S	UK

Source: European Commission

 Transposed
 Not transposed

UNICE's RECOMMENDATIONS

- ✓ **Restore confidence in EU biotechnology**
Without this, even the best R&D funding or venture capital support policies will be insufficient.
- ✓ **Provide improved market authorisation for new biotechnological products.**
An enabling, proportionate, non-discriminatory, consistently applied science-based product authorisation procedure is crucial for investors.

This is true for all biotechnological products. In particular, with regards to genetically modified organisms (GMOs).

Central are establishment of a centralised approval procedure, implementation of the EU legislation put in place to assess and approve GMOs, lifting of the de facto moratorium and the development of a regulation for labelling and traceability of GMO products based on the detectability of GMO material.

- ✓ **Keep up the pressure for full and swift transposition of directive 98/44/EC**
On the legal protection of biotechnological inventions in all Member States. This should include the possibility of initiating infringement procedures.

COMMUNITY PATENT

UNICE's expectations

Acceleration of efforts developed during the four previous presidencies in order to secure adoption of a Community patent that can meet users' needs in terms of quality, cost-effectiveness and legal certainty, and support EU's competitiveness. The deadline set in Lisbon for the Community patent was 2001. This deadline has already been missed.

* * *

Innovation depends on the creation and dissemination of new ideas, requiring considerable investment in time, skills and capital.

To encourage and reward innovation, which in turn develops competitive advantage, intellectual property rights must be protected. As it currently stands, European innovators are at a disadvantage when it comes to obtaining and enforcing patents, compared with their competitors.

The Commission has set out the essential elements for a patent system.

The EU needs:

- ◆ a unitary Community patent which provides incentives for creation of inventions and remedies the current cost-gap vis-à-vis the US and Japanese patents;
- ◆ a reliable jurisdictional system, based on a Community court specialised in patent matters and competent to examine infringement and validity of Community patents for the entire Union;
- ◆ an instrument that makes use of and can coexist with the present European Patent Convention.

UNICE's RECOMMENDATIONS

The EU presidency must ensure that the EU Competitiveness Council:

- ✓ Adopts a **Community Patent**, of a **unitary character** which is **affordable, guarantees legal certainty** and can coexist with the present patent systems in Europe
- ✓ Makes an **assessment** of the **current proposal** compared with the objective set in Lisbon of adopting a Community patent that can be **competitive with US and Japanese patents**;
- ✓ **Adheres to the new timetable (Spring Summit 2003)** it has set itself. If by that time the proposal has not been amended to meet users' needs, UNICE will seriously consider withdrawing its support and concentrate its efforts on improving the current European patent system.

"Yet not so long ago, the March 2000 Lisbon Summit gave the Community patent totemic significance...The credibility of the Lisbon agenda now looks threadbare...Because of a complex compromise over languages this year, the present plan would inevitably result in a Community patent that is far more expensive than patents in the US and Japan. Starting again would be a shock. But that would be just what the EU's Member States and the Lisbon agenda need to get back on track."

"Patently Absurd", Financial Times, 15 November 2002

LIBERALISATION OF ELECTRICITY AND GAS MARKETS

UNICE's expectations

EU Presidency to secure a final agreement on revision of the EU directives on liberalisation of the electricity and gas markets, which has to result in a real level playing field for both energy companies and users of energy, opening up genuine prospects for a reduction in corporate energy costs.

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At the Energy Council on 25 November 2002 a political agreement was reached on the Commission's proposals COM 2002-304.

A conciliation procedure between the Council and the Parliament seems likely.

UNICE's RECOMMENDATIONS

✓ **Legal unbundling**

Legal unbundling has been given a central position in the Council political agreement of 25 November 2002. This component of the agreement should essentially be maintained in the next steps of the legislative process. The Commission must demonstrate the greatest rigour in the assessment it will have to carry out before 1 January 2006 concerning national implementing measures for the new European legislation. Very strict criteria must be applied in this assessment in order to verify that national measures are genuinely in line with the ultimate objective of creating a real level playing field for both energy producers and users. The Commission should not wait until the deadline of January 2006 to intervene, if some national developments are not in line with single market principles.

✓ **Public service obligations**

The Commission's initial proposals regarding public service obligations were formulated in unduly wide and imprecise terms. New interpretations of the concept of public service should not be introduced ahead of the policy debate planned for 2003 on services of general economic interest.

New public service obligations in the social or environmental areas which would place excessively heavy burdens on operators and/or business energy users is not acceptable for industry.

✓ **Refrain from increase in energy charges**

The economic benefits of liberalisation should not be lost (as so often happens) through an increase in energy taxation or any other charges on energy.

✓ **Increased transparency**

Increased transparency vis-à-vis the Commission is needed regarding take-or-pay contracts, with a view to avoiding transport capacity constraints.

✓ **Cross-border links**

For markets to function efficiently, complicated, non-transparent or non-cost-reflective pricing structures for cross-border transport of electricity must be overhauled, as these dissuade foreign operators from adding to the service offer. The Commission should not endorse the introduction of cross-border tariffication models which would perpetuate artificial obstacles to trade.

"Effective achievement of the European internal market for electricity and gas is a precondition for reducing the competition disadvantages which European businesses face as compared with their competitors in important OECD countries, in particular the USA, due to high energy prices"

Dr Werner Marnette, Chairman of the Executive Board, Norddeutsche Affinerie AG

FINANCIAL MARKET INTEGRATION

UNICE's expectations

The remaining measures within the Financial Services Action Plan should not only be adopted in time but, above all, should be adopted in a way that enhances the competitiveness of European financial market users. The Lamfalussy procedure will have to be improved, if it is to make financial services legislation more efficient.

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The goal of the Financial Services Action Plan (FSAP) is the establishment of a genuine single market for capital in Europe. According to the Sixth Progress Report on the FSAP published in June 2002, 26 of the original 42 measures have been completed. The remaining measures must be adopted by 2003.

In addition to enhancing investor protection, it is vital, that all the FSAP measures aim at:

- ◆ reducing the cost of capital for companies
- ◆ increasing the rates of return for investors and savers

- ◆ engendering real cross-border market access
- ◆ facilitating a wider provision of financial services and products
- ◆ improving the liquidity and depth of markets

and thus enhancing overall competitiveness in Europe.

Business is worried, however, that some measures in the remaining FSAP directives will actually hamper European competitiveness, as recently seen in the political compromise over the Prospectus Directive or in the current proposal for the Transparency Directive.

UNICE's RECOMMENDATIONS

✓ **Transparency Directive**

Ensure that the proposed obligation of quarterly information does not correspond to interim financial statements and therefore does not imply an application of IAS 34. UNICE is further concerned, that the time limits for submission of the annual report will be too short.

✓ **Investment Service Directive**

Eliminate all current obstacles to the effective provision of investment services cross-border and precisely define transparency and best execution process. Ensure that new market organisation does not prevent access to small issuers and investors.

✓ **Clearing and Settlement**

Establish a uniform legal treatment of securities across the EU ("uniform securities code") as soon as possible, in order to remove distortions and constraints due to national barriers.

✓ **Improve the Lamfalussy Procedure**

UNICE welcomed the Lamfalussy recommendations of improving the rapidity and effectiveness of legislation. However, it is vital that businesses as users of financial services is better represented in the consultation panels at an early stage. The transparency and timing of the Lamfalussy Procedure must also be improved.

ESSENTIAL INFRASTRUCTURE FOR THE INFORMATION SOCIETY

UNICE's expectations

Member States are requested to implement the electronic communications package within the agreed timetable and to accelerate the widespread availability and usage of broadband through pursuing eGovernment

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The targets set in the eEurope 2005 Action Plan, endorsed by Member States during the Seville Summit (June 2002) must be met on time for eEurope to be a reality. Industry is anxious to participate in the realisation of these targets.

It is widely accepted that Information and Communication Technology (ICT) is a driver of growth and productivity, in particular the diffusion and use of ICT. Insufficient usage of ICT in the production process is one of the reasons for Europe lagging behind its main competitors.

The downturn in the economy and in particular in the communications sector calls for Member States to maintain the political impetus behind this part of the Lisbon strategy and to address in particular the ICT downturn for the benefit of the whole economy while avoiding actions which would destabilise a competitive level playing field.

UNICE's RECOMMENDATIONS

✓ **Timely, concerted and harmonised implementation of the electronic communications regulatory package by July 2003**

Given the responsibilities of EU national regulators, they must ensure that the internal communications market will not be fragmented due to divergent interpretations on their part of the package. Commitment from regulators to effectively consult the relevant stakeholders in the European advisory committees is key to the creation of a level playing field. July 2003 must be effectively considered a deadline for implementation - not as a starting point.

✓ **Accelerate broadband usage and availability**

The roll-out and usage of broadband are key to economic growth in Europe. EU market players and citizens alike will benefit from accelerated availability and usage of broadband in all EU Member States.

To assist the fast growing market for broadband, regulators should refrain from imposing unnecessary regulations, letting the level playing field develop in a competitive environment.

✓ **Pursuit of eGovernment**

Member States should continue to develop eGovernment broadband services applications and develop digital content for on-line public services in the areas of public administration, health, education and transport. Such services must be accompanied by sufficient public-sector-driven awareness campaigns communicating the benefits of eGovernment services to SMEs and citizens, demonstrating the convenience that broadband brings to users.

PUBLIC PROCUREMENT

UNICE's expectations

Sound implementation of the EU Legislative Package is vital for the European economy to promote development of the single market, enabling public authorities to purchase "best value for money", and industry to grow its competitive strength. Essential aspects of the recent amendments conflict with the principles underlying the directives and need to be abandoned.

* * *

Industry has worked constructively with the Commission and the Parliament over a long period to produce revised public purchasing directives in the classical and utilities sectors which are balanced, workable and achieve their objectives.

The Commission's draft was a sound basis for public procurement and would benefit the contracting entities and industry equally.

But some of the amendments introduced by Parliament and the Competitiveness Council seem

to be driven by interests opposed to the core principles of the public procurement market which are based on fair competition, transparent procedures and non-discrimination, thereby enabling best value procurement by public authorities and a competitive industry.

The importance of the directives cannot be too strongly emphasised; their contribution to the economic well-being of Europe is immense.

UNICE's RECOMMENDATIONS

Much of the Legislative Package is sound. However, **the following areas have to be reviewed** in order to restore the Legislative Package to the beneficial purpose for which it was intended. The review should:

- ✓ **Ensure that there is no increase in the thresholds** (the contract value above which the directives apply) which would otherwise take a significant number of contracts out of the directives;
- ✓ **Avoid permitting public purchasing to be used in the pursuit of environmental and social agendas not directly linked to the subject matter of the contract.** This would otherwise present an invitation to damaging discrimination, new market barriers and manipulation;
- ✓ **Making consideration of variant tenders the rule rather than the exception;** to do otherwise would run counter to the EU R&D objectives and stifle innovation;
- ✓ **Ensure that the exceptions permitting in-house performance in the Utilities Directive are not widened,** which would otherwise reduce opportunities for competitive procurement.

"The EU directives on public procurement could essentially contribute to fair and open public procurement throughout Europe. Increasing their thresholds and making public procurement dependent on, for example, social and environmental aspects would give rise to new obstacles on open procurement markets"

Michael Kutschenreuter, CFO, Siemens AG Information and Communication Networks

COMPLETION OF THE INTERNAL TRANSPORT MARKET

UNICE's expectations

that Member States 1) implement the first railway package by March 2003, 2) set a deadline for adoption of the second railway package, 3) resolve to bring about a single European airspace in 2004 and 4) accelerate the realisation of trans-European interoperable infrastructure networks, meeting the growing needs in the enlarged Union, by 2004.

* * *

Institutional progress is being made in the adoption of the second railway package, liberalisation of access to port services and the creation of a single European airspace. These proposals are not an aim in themselves but vehicles for achieving efficient and

interoperable European transport networks, which are vital for Europe's trade and competitiveness. All institutional players involved will need to make swift progress in delivering the Lisbon goals for transport.

Status of Implementation/2001 railway liberalisation package

A	B	D	DK	SF	F	GR	IRL	I	L	NL	P	E	S	UK
Yellow	Yellow	Yellow	Grey	Blue	Yellow	Yellow	Yellow	Blue	Yellow	Blue	Yellow	Yellow	Blue	Yellow

Transposition to be completed by March 2003

Source: European Commission

	Transposition of the directive and adoption in national law
	Official draft has been produced in national Parliament
	No official draft

UNICE's RECOMMENDATIONS

- ✓ **Respect the deadline of March 2003 for the implementation of the first "railway infrastructure package"**, thereby liberalising international railway freight transport and effectively making a start with a single railway market.
- ✓ **Agree on the deadline of July 2003 for adoption of a Common Position on the "second railway package"**. Accelerated liberalisation of rail freight transport including "cabotage" (allowing licensed railway companies to provide transport services within the borders of another Member State) is crucial for improving the cost and quality of railway services
- ✓ **Bringing about a Single European Sky in 2004.** A crucial step towards more efficient use of airspace and solving the problem of flight delays in Europe. Concerns and expectations are:
 - ◆ to be implemented by December 2004.
 - ◆ very close cooperation between civil and military interests is needed to end the division of the sky into civil and military sectors; this is the basis for increasing efficiency in airspace.
 - ◆ the concept of flexible use of airspace must optimise capacity especially for civil use by minimising the period of restricted times for military purposes.
 - ◆ Eurocontrol must have the opportunity to act as an effective regulator.

"The future enlarged European single market will encourage further economic specialisation and economies of scale, entailing increased transport of goods. If companies are to benefit, they need low transportation costs and easy connections. Liberalisation of rail freight transport will reduce transport costs and improve the quality of services, whereas the realisation of trans-European networks and corridors to the candidate countries will foster the free movement of goods and people."

Antonio D'Amato, President of CONFINDUSTRIA

EMPLOYMENT GROWTH

UNICE's expectations

The European employment strategy should be refocused. Implementation of the entrepreneurship pillar has been the main weakness of the strategy that needs to be redressed in the future. The next employment guidelines must concentrate on medium-term objectives and policy outcomes and should focus on ten priority areas. Entrepreneurship and job creation should be fostered. Implementation of the entrepreneurship pillar has been the main weakness of European employment strategy. Member States should better encourage job creation and should set targets for a reduction in the tax burden on labour.

* * *

After five years of application of the European employment strategy (1997-2002), a complete evaluation of its impact was conducted. A new cycle of the employment strategy based on the revised guidelines will start in 2003 and it will cover the period up to 2010.

The implementation of the guidelines remains imbalanced with a strong bias towards the labour supply and a lack of progress in the implementation of the entrepreneurship pillar.

UNICE's RECOMMENDATIONS

- ✓ **Refocus the employment guidelines, concentrate on medium-term objectives and policy outcomes and focus on ten priority areas:**
 - ◆ **On the demand side:**
 - promote job creation through fostering entrepreneurship and enterprise creation
 - reduce the tax and regulatory burden on labour and indirect labour costs
 - combat undeclared work.
 - ◆ **On the supply side:**
 - promote lifelong learning
 - reinsert the unemployed in the labour market through activation measures,
 - address unemployment traps through reforms of tax and benefit systems to make work pay,
 - promote active ageing.
- ◆ **In order to better match supply and demand:**
 - encourage flexible forms of work
 - enhance mobility, and
 - promote equal opportunities.
- ✓ **Concentrate national reporting on aspects where further progress is needed.**
- ✓ **Coordinate Broad Economic Policy Guidelines and employment guidelines.** In the context of the synchronisation of the annual economic and employment policy coordination cycles, it will be crucial to ensure that the employment guidelines are fully in line with the Broad Economic Policy Guidelines

"The strategic objective of the EU to raise employment rates in Europe to levels comparable with the US will not be achieved unless labour markets are made more flexible, labour costs lowered, and education and training systems adapted to requirements of employability in the market place."

Jacques Schraven, President of VNO-NCW

INCREASING COMPETENCES OF THE EUROPEAN WORKFORCE

UNICE's expectations

UNICE urges governments to take concrete steps in the implementation of comprehensive lifelong learning strategies. It is crucial for Europe's competitiveness to create in each Member State conditions conducive to competence development in companies.

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Education and training was rightly recognised as a key area of the Lisbon Strategy. Faced with the challenges of international competition, technological change, consumer expectations for quality and recruitment difficulties, European companies increasingly need to put development of their employees' competences at the heart of their business strategy, as this is vital for their competitiveness. Taking these realities into account, the European social partners (UNICE, CEEP and ETUC) agreed in 2002 on a joint framework of

actions for the lifelong development of competences and qualifications, which defined priority areas for action. They will present a first follow-up report in March 2003.

Despite efforts to foster exchange of experiences at EU level, there is still room for Member States to improve performance on modernising national education and training systems and to adapt them to economic and labour market realities.

UNICE's RECOMMENDATIONS

- ✓ **Fully fledged lifelong learning strategies should be implemented in each Member State** in cooperation with all players, with the aim to reform education and training systems so as to ensure that they effectively equip individuals for their working lives.
- ✓ **Governments should create appropriate conditions:**
 - ◆ taxation of enterprises and individuals must be shaped to encourage investment in competence development;
 - ◆ labour market regulations should not hamper the promotion of innovative and flexible forms of work, which generate new learning opportunities;
 - ◆ facilities should be developed in each Member State to inform, support and guide individuals and companies in their competence development choices.
- ✓ **Promoting the transparency of qualifications should be a priority.** Companies increasingly need a multi-skilled and mobile workforce. To that end, learning achievements have to be made visible and easily readable across companies, sectors and countries.
- ✓ **Cooperation at EU level should be geared towards achieving concrete results in Member States.** For 2003, implementation of the Lisbon and Barcelona objectives should in particular focus on:
 - ◆ promoting the spirit of enterprise throughout education and training systems;
 - ◆ raising the number of young people, in particular girls, taking up scientific and technological studies;
 - ◆ building bridges between the education world and the world of work, including through the promotion of apprenticeship.
- ✓ **Streamlining the EU cooperation processes in the fields of education and training, research and employment** are conditions for success.

"Individuals and employers share a need for sustained levels of competence - the ability to carry out increasingly complex roles requiring adaptability, responsibility and creativity. Business competence must be built on individual competence."

John Cridland, Deputy Director General, CBI

MODERNISATION OF PENSION SYSTEMS

UNICE's expectations

Following the open method of coordination in the field of pension, the momentum for reforms should be kept. Respecting the fact that pension reforms are a national responsibility, EU-level monitoring activities should be carried on in order to ensure the evolution of national strategies for pension reforms. The Spring European Council should send a strong signal on pensions to keep the momentum for reforms.

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Demographic change will result in an unprecedented economic and social challenge for European countries. The simultaneous phenomena of a drastic rise in the number of old people over the next decades and the shrinking young population will be of such a magnitude that comprehensive and deep-rooted reforms are needed. These reforms should aim at increasing the employment rate and promoting a longer working life.

Pension reforms are primarily a national responsibility. Reforms are under way in all EU countries but a more comprehensive and deep-rooted approach is needed.

However, the responsibility of Member States does not mean there is no EU dimension to pension reforms policy. The competitiveness of European companies, growth and employment in Europe are in danger if firms and workers have to cope with increasing labour costs due to a rising pension bill. Moreover, delaying reforms can lead to a lack of credibility in a given country's budgetary policy, which can reduce the credibility for the euro zone as a whole.

Member States adopted national strategies on pensions implementing the objectives agreed at EU level in December 2001.

UNICE's RECOMMENDATIONS

✓ Measures at EU level

National reforms should be underpinned and complemented by relevant measures at EU level:

- ◆ by taking the necessary measures to complete the internal market in financial services and addressing cross-border mobility issues;
- ◆ by ensuring coordination of national macro-economic and employment policies;
- ◆ by monitoring the evolution of national pension reforms and some co-ordination of the national strategies for pension reforms.

✓ Principles for the monitoring of national pension strategies at EU level

- ◆ the monitoring and coordination activities must fully respect the specificity of this policy area; there is no single European model pension system. It is only within the

Member States that the appropriate mix of measures can be achieved and the necessary consensus around economically efficient and socially acceptable new solutions built. However, exchange of experiences on solutions is extremely valuable.

- ◆ given the diversity of pension systems, the objectives defined for the purposes of monitoring cannot go beyond very general orientations and should reflect the fact that pensions reform occurs on a very long-run perspective;
- ◆ given the demographic trends, policy orientations defined at EU level must fully reflect the fact that economic sustainability should be the main aim of reforms. Member States should encourage private and individual solutions for pension systems

SUSTAINABLE PRODUCTION, TRANSPORT AND CONSUMPTION

UNICE's expectations

In line with the Johannesburg conclusions and sustainable development principles, the EU's environmental objectives must be defined and implemented in such a way as to ensure a balance with economic and social objectives. UNICE calls for accelerated implementation of the extended impact assessment mechanism envisaged for all major EU legislative proposals.

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The challenges of sustainable development can be met in the long term only if efficient solutions are developed to cope with the need for transformations in production, transport and consumption patterns.

This will require structural change. Within framework conditions encouraging entrepreneurship, companies are capable of generating and

disseminating considerable technological, organisational or logistical innovations, which contribute strongly to sustainability and structural change. These innovations do more for society and environmental progress than interventionist, top-down approaches based on command and control.

UNICE's RECOMMENDATIONS

✓ **A more holistic approach**

The EU and national policy packages should give more space for initiatives aimed at enhancing the quality of education, entrepreneurship and innovation. The relevant policies have to ensure the coherence of the three pillars of sustainable development, i.e. not to focus only on environmental and social aspects, but also to consider the equally relevant economic aspects. Public policies must reflect the concept of the shared responsibility of stakeholders.

✓ **Accelerate implementation of the EU extended impact assessment mechanism**

The mechanism foresees that all major draft EU legislative initiatives will be subject to a three-pronged evaluation from the economic, social and environmental angles from 2004. The list of pilot measures for which this triple evaluation is envisaged in 2003 should be widened. For UNICE, it is mandatory that the Commission's future proposals under the EU chemicals policy are included in this list.

The extended impact assessments must be carried out taking account of equivalent legislative regimes (or their absence) in North America, the Far East and Japan. This is essential bearing in mind that competitiveness is a relative and not an absolute concept.

✓ **Design criteria for EU transport infrastructure charging proposals**

- ◆ infrastructure charging should not increase transport costs. It should be introduced for all modes equally, and at the same time.
- ◆ the income generated by charging should be spent on the infrastructure of the mode where it was raised and on reducing the negative impact linked to the use of that mode. Exceptions to this should only be allowed for a limited number of situations, for example in the case of sensitive (e.g. Alpine) regions.
- ◆ proposals should undergo extended impact assessment in 2003, paying due attention to the competitive position of peripheral regions compared with more central European countries.

"We need business engagement in many of the problems that face the world such as the need for clean water, sanitation and sustainable energy. Therefore I am happy to see that business is so well represented here at the Johannesburg Summit."

Mr Fogh Rasmussen, President EU Council, 2nd semester 2002

EU CLIMATE CHANGE POLICY

UNICE's expectations

A combination of market mechanisms with agreements between public authorities and industry is the most cost-effective and efficient way for industry to make its contribution to an overall strategy to control greenhouse gas emissions. It is essential that EU emissions trading allows sufficient flexibility to ensure the momentum of national climate change strategies. Industry must be encouraged to make the investments needed by ensuring that emission allowances are allocated free of charge, in a way that is both predictable and safeguards the single market.

* * *

The Commission has presented a proposal for a directive establishing a scheme for greenhouse gas emissions trading within the Community, based on the introduction of a new system for issuing greenhouse gas emissions permits to companies.

Parliament's first opinion proposes that some part of these allowances should be paid for by the companies. There appears to be a misconception that auctioning would provide a simpler and fairer method to allocate allowances within the single market, but...

Auctioning would be extremely costly to many sectors, thus seriously damaging industry's ability to compete internationally and diverting substantial funds better spent on emission-reducing

investments. As an example, the cost of a 100% auctioning allocation would be close to 20 billion per annum for the combined electricity and refining sectors, based on 20 per tonne of CO₂.

Parliament proposes that '**environmentally friendly**' criteria are used to redistribute auctioning revenues, but allocation can reflect sound criteria directly, without any need for auctioning, for example, by allocation based on objective Performance Reference Standards, or by reference to sound baselines, reflecting relative emissions performances.

These approaches can provide for fair competition, thus avoiding creation of barriers within the European single market.

UNICE's RECOMMENDATIONS

✓ **Free-of-charge allocation of allowances**

Both before and during the Kyoto commitment period (2008-2012), allocation should under no circumstances include auctioning that would be doubly damaging to competitiveness by applying an uncertain upfront charge for emissions, and in circumstances where European industry's main industrial competitors do not face similar constraints.

✓ **Consistency with the Kyoto approach to global trading**

To minimise competitive impacts, EU emissions trading needs to be consistent with

the Kyoto approach, ready to link to global trading. This requires including all six greenhouse gases in emissions trading, and incorporating credits from the project mechanisms (Joint Implementation/Clean Development Mechanism - CDM) from the start of trading in 2005.

✓ **Need for a comprehensive EU strategy**

Emissions trading needs to be seen as part of a comprehensive EU strategy for cost-effective control of greenhouse gas emissions that includes all sectors and all sources, and respects single market principles.

"Sustainable development has become a priority for companies. But it should not be forgotten that it is also a matter for the public authorities. Concerning climate change, much has been done by European companies which intend to maintain their efforts. But it is essential that European policy-makers set up mechanisms that preserve industrial competitiveness".

Ernest-Antoine Sellière, President of MEDEF

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