

UNICE

THE VOICE OF BUSINESS IN EUROPE



The
European
Union



A remarkable
project



For citizens,
companies
and
consumers



But still
fragile and
incomplete

The viewpoint of European
companies

The role of UNICE

UNICE speaks for millions of companies active in Europe. It is

- ♦ for a more entrepreneurial business climate in which small firms in particular are not swamped by unnecessary red tape
- ♦ a firm supporter of European integration, the most salient examples being the internal market and the single currency
- ♦ a social partner and intervenes on employment policy, social protection, social dialogue, industrial relations, education, training, health, safety at work, equal opportunity, and non-discrimination.

A survey by the European Commission has found that no fewer than 80% of EU citizens believe that the single market has had a positive effect on consumer choice. Europe's current prosperity is based on the efforts of the productive sector and a well-trained workforce. But the situation is not static. The private sector faces global competition, and any failure to maintain a technological lead and improve productivity could have serious consequences for employment and living standards.

The aim of this brochure is to highlight the areas where policy-makers need to focus their attention in order to ensure that Europe's past successes continue into the future.

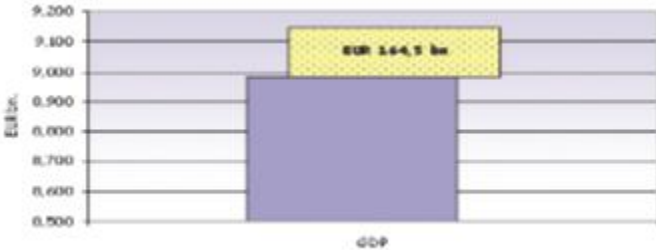
UNICE's ten key messages

- 1 EU Member States must show determination to meet the objective of making Europe the most competitive region in the world by 2010
- 2 Facilitating lifelong learning is essential to increase worker adaptability and employability
- 3 Innovation is the key to Europe's continuing prosperity, and must be encouraged
- 4 The Doha round of trade negotiations must be completed successfully in order to increase global exchanges
- 5 The European internal market has been a success but remaining barriers still need to be removed
- 6 Enlargement based on a level playing-field will create business opportunities in old and new EU Member States alike
- 7 Sustainable development must take proper account of economic as well as social and environmental aspects
- 8 The regulatory environment must be streamlined to make life easier for companies large and small
- 9 Sound public finances are necessary to meet tomorrow's demographic and other social challenges
- 10 Europeans need to develop a more positive attitude to risk-taking and entrepreneurship



The European Union: an economic success, ...

Additional growth in 2002 due to the Internal Market



Source: European Commission, UNICE's calculation

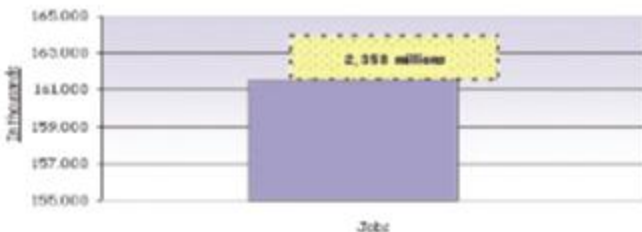
Realisation of the single market, in 1992, has made it possible to create more wealth and more jobs, and demonstrates that the way forward is more integration.

The successes of European integration are many. The lowering of trade barriers between European countries has allowed : **stronger growth, job creation** but also an improvement in **quality**. Consumers have a wider **choice**, citizens can move more easily. Exchange of **ideas and knowledge** has been facilitated.

The most recent steps forward:

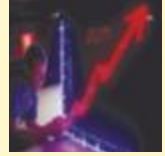
- ◆ The euro, a currency shared by twelve member countries, confers the benefits of **less inflation** and lower **interest rates**
- ◆ Access to a market of 375 and soon 450 million consumers strengthens European companies.

Additional jobs due to the Internal Market since 1992

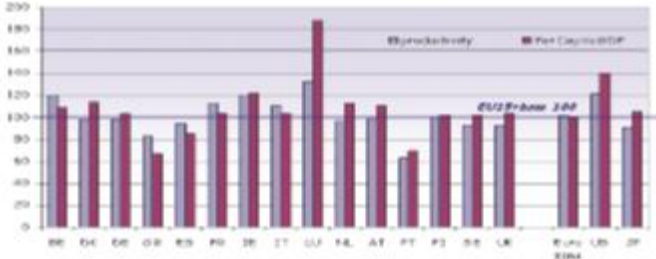


Source: European Commission, UNICE's calculation

...which is still incomplete and fragile



Employee productivity and per capita GDP (2002=base 100 EU15)



Source: European Commission

Europe does not create sufficient wealth. Per capita income is lower than in the United States because the employment rate and labour productivity are too weak.

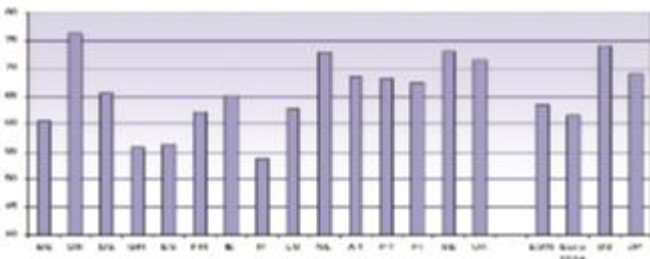
Both the European Union and the Member States need to accelerate the structural reforms that are indispensable for Europe's competitiveness. It is essential to:

- ◆ Unshackle the spirit of enterprise by simplifying administrative rules
- ◆ Encourage competition by allowing private initiative to propose new solutions
- ◆ Promote research and innovation.

These new advances will make it possible:

- ◆ To create more jobs thanks to dynamic companies
- ◆ To make a success of enlargement
- ◆ For Europe to remain an essential and responsible player thanks to better competitiveness
- ◆ To offer the consumer more choice as well as better quality and safety.

Total employment rate (2001) - Employed persons aged 15-64 as a share of the total population of the same age group



Source: OECD



Institutions promoting the market economy, ...

Public deficit as a % of GDP (2002)



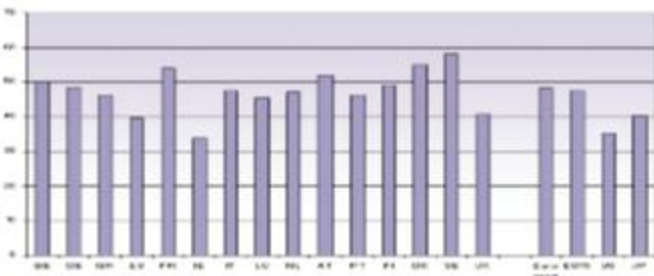
Source: European Commission

Public finances need to be brought under control without an increase in the tax pressure on companies and citizens. Excessively high public spending must be rationalised and more effective.

The European Union must listen to and be at the service of citizens and companies. In addition, rules and regulations must have a clear objective and be kept simple. They should not prevent private initiative from flourishing but, on the contrary, stimulate it.

Compliance with the stability and growth pact makes it possible to coordinate Member States' budget policies. It ensures sound management of public finances and the stability of the single currency.

Public expenditure as a % of GDP (2002)

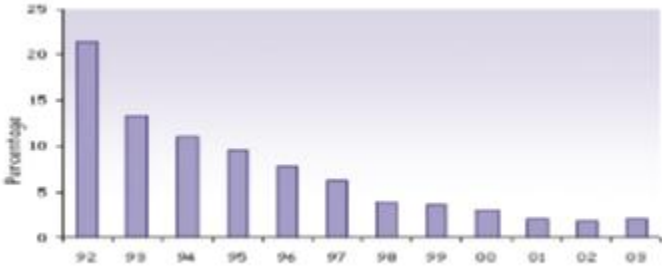


Source: European Commission

...Member States which meet their commitments



Transposition deficit



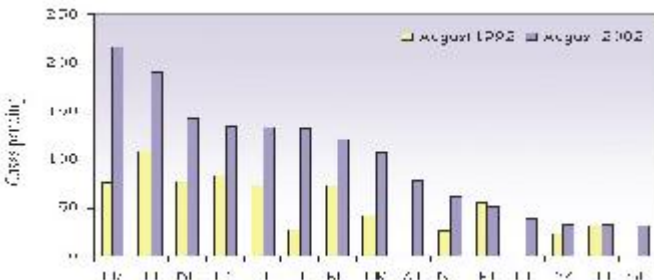
Source: European Commission

European policy emanates from the Member States which must meet the commitments they make at European level. Transposition of directives must be improved.

Following a positive trend in transposition until late nineties, transposition deficit is now widening, which shows that Member States are relaxing their efforts. European policy emanates from the Member States themselves, which then implement it. It is absolutely essential that they meet the commitments they have entered into vis-à-vis their partners, their citizens and their companies.

The increase in the number of infringements is also a reflection of increased European integration, which prompts citizens or companies to exercise the rights that the European Union guarantees them. Member States (especially in an enlarged Europe) must apply the rules of the single market.

Number of internal market infringements

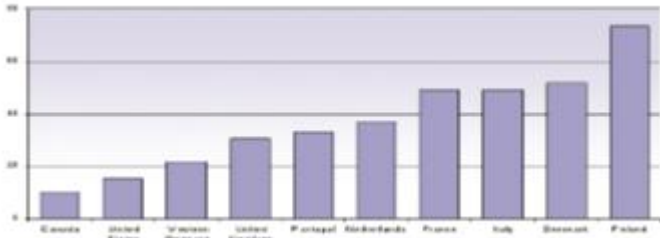


Source: European Commission



Promote the spirit of enterprise...

Average size of new manufacturing firms, 1989-1994. Relative size based on the number of employees per firm



Source: OECD

American start-ups are smaller than in Europe, but after two years more and more stable jobs are created. Business creation in Europe needs to be dynamised.

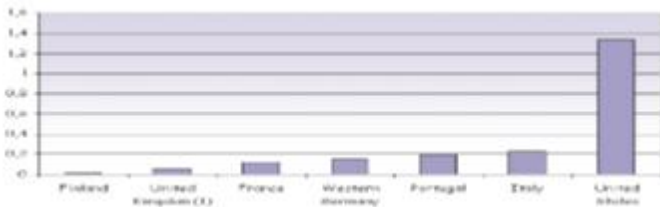
For UNICE, it is essential to unshackle the spirit of enterprise and:

- ◆ Simplify procedures for business creation
- ◆ Keep rules simple and comprehensible
- ◆ Facilitate financing of SMEs
- ◆ Enhance the status of risk-taking in society
- ◆ Explain the value of enterprise to young people.

Dynamic companies can:

- ◆ Respond better to consumer needs
- ◆ Use resources more efficiently
- ◆ Create more wealth and jobs
- ◆ Identify new technological solutions
- ◆ Offer more choice.

Net employment gains among surviving manufacturing firms after two years, (1990s). Net gains as a ratio of initial employment



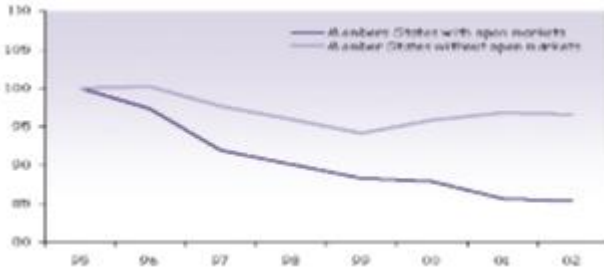
1. Net employment data for the United Kingdom refer to cohorts of firms that entered the market in the 1985-1990 period.

Source: OECD

...in a competitive environment



Electricity prices for 2 Kw/h paid by SMEs



Source: European Commission

Liberalisation of network industries (energy, transport, telecommunications) has reduced costs for companies and consumers, allowing the creation of more businesses and more jobs.

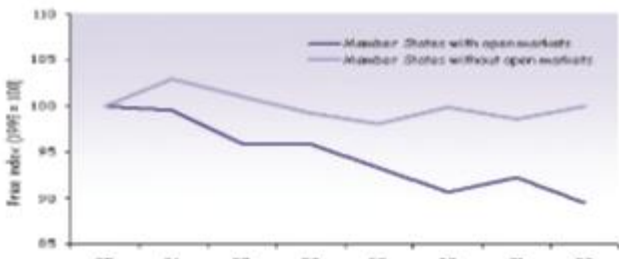
For UNICE, it is therefore essential to continue along this path and:

- ◆ Develop new infrastructures
- ◆ Open public procurement completely to European competition
- ◆ Complete liberalisation of network industries
- ◆ Allow competition to play in services of general economic interest.

Companies, consumers and citizens will benefit from:

- ◆ Cheaper transport
- ◆ Better land use
- ◆ Easier rapprochement between Europeans
- ◆ Cheaper and more rapid communications (telecommunications, post, Internet).

Electricity prices for 3.5 Kw/h paid by households

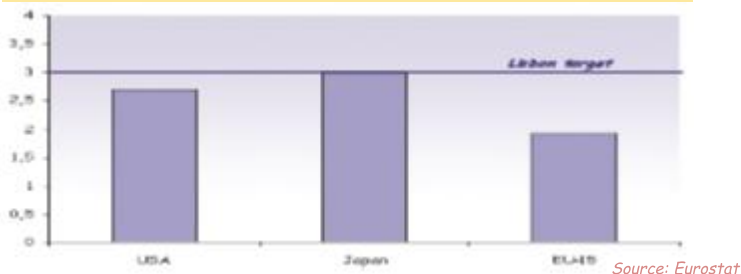


Source: European Commission



Invest in research and innovation...

Spending on research and innovation as a % of GDP



Despite the ambition expressed in Lisbon, public and private investments in research have not reached the set objectives and remain far behind those of the competition.

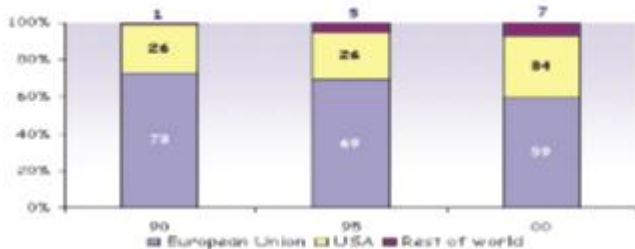
Reaching the target of 3% of GDP for spending on R&D is a priority for UNICE. It therefore calls for a legislative and regulatory environment attractive for private R&D investment:

- ◆ A reorientation of public spending towards research
- ◆ Development of public-private partnership
- ◆ Tax incentives and financial instruments for the promotion of private R&D
- ◆ A reduction rather than an increase in the constraints that hold back research.

This will make it possible to:

- ◆ Maintain researchers in Europe and exploit university research
- ◆ Create European centres of excellence
- ◆ Produce more efficiently for better preservation of the environment.

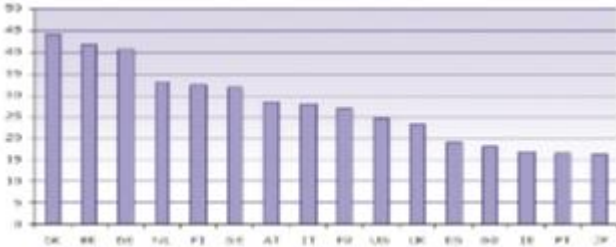
Location of R&D spending by European pharmaceutical firms (1990-2000)



...for more and better-quality jobs



Taxes and social charges on average wage earner as a % of gross income



Source: OECD

Tax and social charges that penalise work must be reduced. Excessive rules contribute to rigidity on labour markets and weigh heavily on competitiveness and employment.

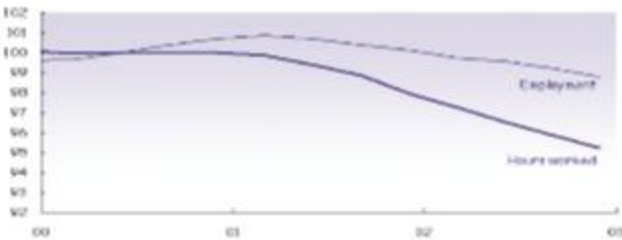
For UNICE, it is essential to:

- ◆ Reduce the total cost of labour, notably by reducing non-wage labour costs. Pension and social security systems must be reformed to foster a reduction in taxes and social security levies on labour
- ◆ Facilitate lifelong learning
- ◆ Improve the employability of various categories of workers (young people, older workers, women)
- ◆ Make labour markets more flexible.

More flexible and more dynamic labour markets will allow:

- ◆ A more responsive labour market
- ◆ Increased productivity
- ◆ More jobs will also allow better financing of pensions and social protection.

Employment rate and hours worked in manufacturing (100=2000Q2)

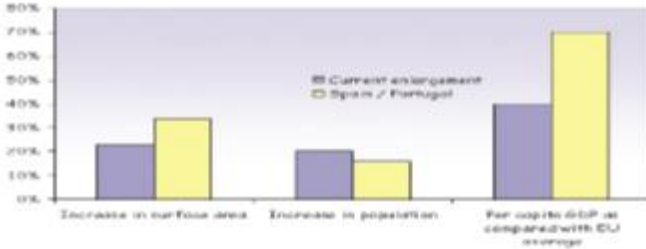


Source: European Commission



An enlarged and more stable Europe...

Current enlargement comparable with 1986



Source: European Commission

Enlargement by ten new countries strengthens the European Union. Nevertheless, it underlines the need to make headway with reform of the institutions and further improve competitiveness.

The preparations for enlargement have helped the acceding countries transform their economies. UNICE has called for a rigorous and individual evaluation of the candidates. Transposition and implementation of EU law must improve. However, enlargement underscores the need to reform the economic governance of the European Union. Hence, it is essential to:

- ◆ Rationalise and strengthen the European institutions (particularly the Commission)
- ◆ Streamline the legislative process on the basis of the co-decision procedure
- ◆ Review structural policies (regional policy, CAP). Monitor the progress made by «old» and new Member States alike
- ◆ Seize the opportunity offered by a larger market and the competitive advantages provided by the new Member States.

Enlargement in figures

	New members	EU-15	Total
Population	75 million	375 million	450 million
Area (km ²)	738 572	3 237 900	3 976 472
GDP in EUR bn.	404	8 828,9	9 232,9
Per capita GDP in PPS*	10 400	23 200	33 600
Estimated GDP gain (%)	8% to 10 %	approx. 0,2%	---

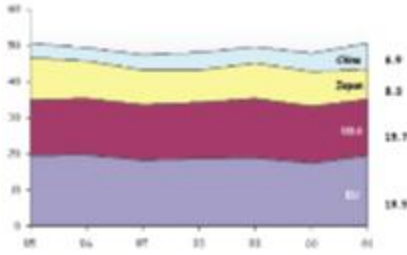
* Purchasing Power Standard

Source: European Commission

...must remain open and responsible...



Share in world exports



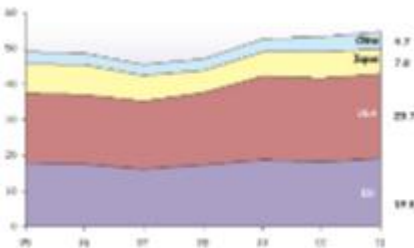
Source: Eurostat

The European Union is the world's largest exporter and second-largest importer of goods. American investments create millions of jobs in Europe, and vice versa.

For UNICE, it is essential to preserve and increase commercial openness. UNICE supports efforts under way in WTO to make a success of the Doha round. A strengthening of the multilateral framework must facilitate market access for developing countries, notably for agricultural products.

The imminent enlargement of the Union, like its predecessors, must be accompanied by greater opening vis-à-vis the rest of the world. Extra-Community imports have grown continuously and the internal market attracted four times as much foreign direct investment in 2001 as in 1992. Liberalisation of trade in services must be pursued and extended.

Share of world imports

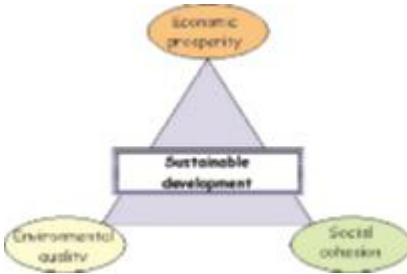


Source: Eurostat



...for balanced development

The three pillars of sustainable development

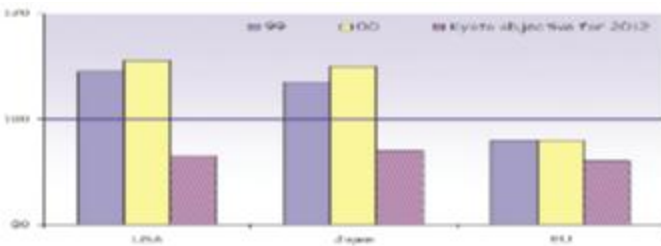


UNICE strongly supports sustainable development as a process in which economic, social and environmental objectives receive equal attention.

The first-class environmental achievements of European business, by world standards, basically flow on from initiatives and investments by companies. It is essential to preserve the balance between the three pillars of sustainable development, and not to sacrifice competitiveness and growth, which are vital to finance environmental and social objectives. The ecological effectiveness and economic impact of proposed environmental measures must always be rigorously evaluated.

Europe has reduced its greenhouse gas emissions, whereas its partners are increasing them. But the absence of a true international strategy (since the United States withdrew from the Kyoto Protocol) is penalising European companies.

Greenhouse gas emission trends (index: 1990 = 100)



Source: Eurostat

UNICE's latest publications

Publications:

- ♦ UNICE's standpoint for the Cancun negotiations
- ♦ *Lisbon strategy status 2003: Time is running out, action needed now*
(see: www.unice.org/Lisbon for national reports prepared by our member federations)
- ♦ *Business and consumers: Working together for the internal market*
- ♦ *Economic outlook: Spring 2003*
- ♦ *Make e-Europe a reality*
- ♦ *Market instruments for sustainable development*
- ♦ *Ensuring EU enlargement is a success*

UNICE represents more than 16 million small, medium and large companies active in Europe, employing over 106 million people. Active in European affairs since 1958, UNICE's members, are 35 central industrial and employers federations from 28 countries, working together to achieve growth and competitiveness in Europe.

For more details of UNICE's positions,
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