

**UNICE comments on EU Wider Europe – Neighbourhood policy
“A new framework for relations with our Eastern and Southern Neighbours”**

The overall approach

UNICE welcomes the new EU Wider Europe policy, formulated in the European Commission's Communication of 11 March 2003, which sets out a new framework for relations with the EU's immediate neighbours after enlargement: Russia, the Western Newly Independent States¹ and the South Mediterranean² countries.

The new neighbouring countries are key economic and political partners for the enlarged European Union. Thanks to the concerted efforts by all political, economic and social actors concerned, enlargement will be effective on 1 May 2004. It is a unique opportunity to spread stability, economic growth and welfare across Europe. Enlargement must not, however, create new barriers at EU borders, but should lead to the enlarged European Union and these neighbours working together towards common objectives in terms of economic development and increased political stability.

Due to the great heterogeneity and different level of relations with the EU of the countries included in the Wider Europe concept, UNICE agrees that the one-size-fits-all approach is not possible. It should be recognised that some countries will be able to develop closer relations with the EU than others during a shorter span of years.

The neighbourhood policy should be seen as an umbrella for regional, sub-regional and bilateral cooperation, taking fully into account and complementing existing important EU policies and agreements for these countries, such as the Northern Dimension, the Common European Economic Space or the Barcelona Process. The Wider Europe framework should not prevent these policies to be actively pursued and further developed.

The Wider Europe initiative should not be seen as a first step towards EU membership, considering that it includes non-European countries for which membership has been ruled out.

The proposal for granting participation to neighbour countries in the EU Internal Market in exchange for concrete and thoroughly documented progress needs to be carefully analysed. It could serve as a strong incentive for political and economic reforms in the neighbouring countries and to develop open and integrated markets operating on the basis of EU standards.

However, it must not lead to distortions in the functioning of the Internal Market. A progressive and conditional approach is needed, supported by administrative capacity to align legislation with the *acquis communautaire*. The Common European Economic Space is one constructive example of this progressive approach.

¹ Belarus, Moldova and Ukraine.

² Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Authority, Syria and Tunisia.

Specific issues

In particular, UNICE would like to highlight the following issues:

1. Priority should be given to the deregulation of markets and further progress in the privatisation process. It is vital to support the development of sound framework conditions for business by focusing on legal and administrative reforms supportive of entrepreneurship. This will lead to more dynamic trade relations and the additional inflows of investment necessary for the economic development of neighbour countries and their rapprochement to the European Union. Training and capacity-building in public administrations and business organisations is needed.
2. Reducing poverty and increasing prosperity in neighbour countries could only be attained through the economic growth and employment created by liberalisation of trade and investments. Free trade should not only be promoted between a particular neighbour country and the EU, but between neighbours themselves. However, tariff dismantling alone is not sufficient to guarantee rapid development of trade. It is essential to foster the approximation of regulatory frameworks in order to provide companies with a level playing field. Key issues will be harmonisation of technical regulations and standards, implementation and enforcement of intellectual property rights, rules of origin, trade facilitation, and a radical reduction in bureaucracy and corruption.

Business has a role to play by monitoring the neighbouring countries' ability to implement market-related EU legislation. Trade-related technical assistance could be allocated to that aim in order to promote this effort.

3. The low level of investment in the EU neighbouring countries is among the main problems for their economic development. Efforts should therefore be developed by all interested parties to improve their attractiveness for FDI flows. In this light, a stable, clear and predictable legal and administrative framework is essential. Sufficient market size is also key to lead to the development of the sub-regional integration within neighbours.
4. High importance should be attached to the integration of the neighbouring regions into the world economy. A timely WTO-accession would give reform-oriented forces a new impetus and further integrate these countries in the international economic system. UNICE will continue to monitor closely the progress made by Russia in accession preparations (*see the 6 May 2003 UNICE updated position on Russia's accession to the WTO*).
5. A possible role of the euro as trade and reserve currency in the neighbour countries, which is not sufficiently highlighted in the Communication, could be explored.
6. Specific attention should be given to customs cooperation between the EU and the neighbouring countries to ensure a smooth flow of goods across borders, while properly addressing threats related to security and customs fraud.
7. The proposal to develop a new Neighbourhood Instrument should be welcomed, as a contribution to facilitate the steady functioning of borders and to favour trans-national integration between regions at the EU frontiers. This instrument and the existing ones should be streamlined and better coordinated, developing a

comprehensive approach which avoids overlapping activities and focuses on concrete and measurable results. Simultaneously, the instrument should be flexible enough to meet the specific needs of each country and region, identified by the EU and the respective neighbouring countries.

8. The activities of International Finance Institutions (IFIs), the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB) should be expanded. Throughout the neighbouring countries, there is a great need for public funding of projects which should open the way for public-private partnerships and private ventures. From the business point of view, modern infrastructure, efficient border management, interoperable and interconnected transport, energy and telecom networks are among the main targets of development. Funding for the development of human capital will also help these countries to benefit from the improved framework conditions.

UNICE welcomes the specific mentions of the role of regional organisations of entrepreneurs, and business dialogues such as the Euro-Mediterranean Business Summits or the EU-Russia Industrialists Round Table, where UNICE and its members play a leading role.

The next steps

With a view to reach the Wider Europe vision and objectives implementation is key. Efforts should now concentrate in making it operational through preparation of action plans establishing well-defined targets and deadlines for regular review of progress and mechanisms to monitor implementation. This could be complemented with benchmarks on achievements. UNICE is willing to play a role in concrete implementation of the Wider Europe concept.

In this respect, UNICE welcomes the Commission decision to create a Wider Europe Task Force to develop EU policy towards the new neighbours, to prepare action plans and to press for their implementation.

As the commitment of the neighbouring countries to the common goals is crucial, the further development of the Wider Europe policy and the new Neighbourhood Instrument should also include regular consultations with the neighbouring countries concerned.

UNICE looks forward to pursuing dialogue on this important issue with the European Commission and other interested parties.
