

Brussels, 5 December 2003

**BUSINESS MESSAGE TO THE EUROPEAN SUMMIT:
ACT NOW TO TRANSFORM EUROPE!**

Ahead of the European summit in Brussels on 12-13 December, the Presidents of the 35 leading industrial and employers' confederations of Europe today debated policy and economic developments affecting business. Issues such as competitiveness, employment, the stability and growth pact and how to re-launch the World Trade Organisation's negotiations dominated the meeting. At the European summit next week, UNICE expects Heads of State and Government to renew their commitment to the Lisbon strategy with concrete action plans and deadlines.

The Presidents' main conclusions are:

- **Assessment of macro-economics in Europe**

Recovery is at last taking place. The latest real economic indicators are confirming the improvement that was initially reflected mainly in the business and consumer climate surveys. Nevertheless, the recovery remains fragile and it is essentially export-driven.

Hence, the recovery must be strengthened by taking appropriate policy measures. Monetary policy has succeeded in bringing down inflation and inflation expectations. Interest rates are historically low and confidence in the euro is strong. Fiscal policy has been relaxed and all room for manoeuvre has been exhausted. High public deficits must be avoided because they lead, in the future, to tax increases and, even today, to a loss of confidence, that hampers growth. The solution lies in the implementation of structural reforms, as laid down in the Lisbon Strategy.

Acceding countries have already achieved a high level of alignment of their legislation and preparations are well under way. Some problems identified by the Commission remain and should be tackled before May. The short-term macroeconomic impact of the enlargement should be limited, whereas longer-term benefits from an enlarged market and increased competition are expected. The Lisbon Strategy must be pursued with all the more vigour.

- **Competitiveness as a condition for growth and employment**

Competitiveness is the only path that will lead to sustainable growth in an enlarged Europe. Positive signs of structural reform efforts to increase competitiveness have emerged in several European countries in recent months. They need to be accelerated, however, and the risk of their being watered down in the political decision-making process must be circumvented. European countries face similar competitiveness challenges and must meet them in a concerted effort. An integrated strategy for competitiveness is needed at EU level and must inspire the actions of public authorities at all levels. The Competitiveness Council has to play a prominent and pro-active role in pushing forward national and EU reform agendas.

The recently launched "Growth Initiative" is welcome. It must help policy-makers at all levels to focus on implementation of the Lisbon strategy. Rather than spending more, the focus must be on spending better and recognising that measures to strengthen Europe's potential will foster growth.

Elimination of administrative and regulatory barriers, particularly for cross-border projects, facilitating public-private partnership in financing of projects and investment in infrastructures, R&D, education and training are the real answers to Europe's growth challenge.

- **Employment in Europe**

Job creation in Europe remains key to fulfil the Lisbon agenda. The UNICE Presidents welcomed the Wim Kok report on employment: recommendations aimed at both boosting employment creation and encouraging people to take up available jobs. Necessary attention is given to economic aspects, giving issues such as economic growth, entrepreneurship, and research and innovation their rightful place. The European Council is in a position to ensure that the report is followed by real action.

- **Need to foster international trade and foreign direct investment**

Future economic growth in Europe and worldwide is highly dependent on the vitality of world trade and investment. UNICE Presidents endorsed the new UNICE trade and investment strategy to foster European business competitiveness in the post-Cancun international environment (enclosed). Priority remains the multilateral approach. UNICE strongly supports the resumption of the WTO Doha Development Agenda negotiations (DDA) and calls on all WTO Members to re-engage rapidly in the process and show determination to achieve results by showing flexibility and readiness to make commitments. UNICE's DDA priorities are market access for industrial goods (tariffs and non-tariff barriers), services liberalisation and trade facilitation. Key for the negotiations, agricultural trade reform and liberalisation should be actively pursued. Investment remains an important issue for companies, therefore UNICE supports a pragmatic approach with the aim of developing an ambitious high-level international agreement.

Other issues UNICE Presidents debated are the Commission company law action plan, corporate governance, and the convergence of international accounting standards. Detailed statements are attached.

Note to the editor:

UNICE is the official voice of more than 16 million small, medium and large companies in Europe. 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.

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Statements

Commission Company Law Action Plan

UNICE supports The Company Law Action Plan's general objective which is to foster the efficiency and competitiveness of business. The action plan also recommends use of alternatives to legislation (codes of conduct, self-regulation) where appropriate.

The priorities for business in the area of company law are to improve the efficiency and mobility of companies within the Internal Market and, in this context, UNICE asks the Commission to present proposals that meet business needs in terms of cross-border mergers and transfer of seats of companies.

UNICE also urges Member States must ensure that they implement before October 2004 the directive on workers' participation arrangements for the European Company Statute so that the instrument can be used by companies by that date.

Apart from the above priorities, UNICE warns the Commission against over-regulating in the area of company law, where framework legislation should remain as light as possible.

Corporate Governance

UNICE's position is that there is no need for an EU corporate governance code. Codes of corporate governance exist at international level and at national level and there is no need for an extra layer at the EU level. What is needed is better coordination at EU level between national codes. It is important that in each EU country one national code of reference emerges.

UNICE has strong reservations concerning the setting-up of a European Corporate Governance Forum. UNICE could in no way support such a forum not strictly limited to an exchange of best practices in corporate governance.

International Accounting Standards

UNICE supports above all convergence of accounting standards at worldwide level. In this context, the International Accounting Standards Board (IASB) should be more active in order to progress discussions with the US to reach real convergence between IAS and US GAAPs. IASB should have a better governance and in particular better consultation process and more transparency. Setting up of accounting standards should take greater account of the economic context.

UNICE is currently working on improving the functioning of the European Financial Reporting Advisory Group (EFRAG) of which UNICE is one of the founding fathers. This body is entrusted with the task of giving advice to the Commission and the Council on the endorsement of international accounting standards and should develop a more proactive role vis-à-vis IASB.

UNICE: POST-CANCUN TRADE AND INVESTMENT STRATEGY

Summary

1. UNICE's overall trade and investment objective is to foster European business competitiveness in the new international trade environment. Therefore, UNICE looks for improved market access for goods, services and investments; non-discriminatory and effective protection of EU investment abroad; competition conditions for European companies similar to those enjoyed by their non-EU competitors and the active defence of European business interests when third countries do not respect their international, regional or bilateral commitments.
2. To achieve these objectives, UNICE supports a pragmatic approach that combines, within a coherent EU international economic policy, multilateral and bilateral/regional approaches in a complementary way.
3. The multilateral trade route must be pursued as a priority. There is no satisfactory alternative to a strengthened WTO rules-based multilateral trading system.
4. Regional/bilateral agreements can only be complementary to the multilateral approach. They can be, however, a useful means for liberalisation provided they meet specific economic and WTO conditions. At the EU level, priority should be given to agreements that promise large volume of trade and significant market access for European companies. UNICE supports the pursuit of negotiations under way between the EU and its trading partners. South-South trade and cooperation should also be strongly encouraged. A review of existing GATT/WTO disciplines on free-trade areas should be undertaken.
5. In that context, UNICE strongly supports the resumption of the Doha Development Agenda negotiations (DDA), as soon as possible, on the basis of a balanced agenda. All WTO Members should re-engage in the negotiating process and show determination to achieve results by being flexible and making commitments according to their level of development.
6. Following the Cancun failure UNICE's DDA priorities are focused on:
 - market access: reduction of tariffs and non tariff barriers;
 - services liberalisation;
 - starting negotiations on trade facilitation.
7. Agricultural trade reform and liberalisation, which are of crucial importance in the DDA negotiations, should be actively pursued. All WTO Members should intensify efforts to agree rapidly on a framework, which will lead to an agreement on the modalities for the negotiations. A solution on cotton should also be a priority of the agricultural negotiations.
8. UNICE also supports negotiations on the improvement of WTO existing agreements with two priorities: harmonisation of the implementation of the Anti-dumping Agreement by all WTO Members and improving the effectiveness of the Dispute Settlement Understanding while avoiding innocent parties paying the price for government's failure to comply with the rules.

9. UNICE considers that each Singapore issue should be dealt with on its own merits. It supports a binding multilateral agreement within the single undertaking for trade facilitation. For transparency in government procurement, UNICE prefers a multilateral agreement. Investment remains an important issue for European companies whose objective remains negotiations of an ambitious high-level agreement. Considering the existing differences of opinion UNICE supports a pragmatic approach, the plurilateral option seems the most feasible. Regarding competition, UNICE is prepared to contribute to any work plan/negotiating process which might be agreed among WTO Members.
 10. UNICE supports the further integration of developing countries into the global economy. The WTO cannot however assume responsibilities beyond what it was created for, make up for deficiencies in development policies or replace internal structural reforms in developing countries. Exemption from WTO rules is not the solution to development. Instead, for each area of the negotiations, special and differential treatment provisions and technical assistance should be adapted to the different level of economic development and competitiveness of the developing countries concerned. To address the concerns raised by the beneficiaries of the EU generalised system of preferences and by the Africa, Caribbean and Pacific (ACP) countries in Cancun, the EU should engage in a serious review of its trade preference system.
 11. Fundamental reform of the WTO is inappropriate in the short term. There is a need, however, for organisational and procedural improvements, in parallel to the negotiating process and within the existing framework, to avoid the pitfalls encountered at several Ministerial Conferences and to facilitate decision-making.
 12. UNICE also supports WTO accession negotiations with countries that are not yet WTO Members as a means of fostering trade liberalisation from the beginning of WTO membership.
 13. A coherent and integrated EU international economic policy along the lines of what is mentioned above is necessary to promote the competitiveness of European companies abroad. However, internal EU policies should not undermine this competitiveness. UNICE would therefore like to see the EU systematically carry out, as part of the business impact assessment of new EU legislation, a trade impact assessment to give policy- and decision-makers more economic evidence and to ensure that the latter fully understand the implications of proposed legislation on the competitiveness of EU firms.
 14. On the basis of this strategy UNICE will pursue its action at EU and WTO levels and with EU trade partners. It will strengthen cooperation with partner business organisations from developed and developing countries and continue to participate actively in civil society dialogues in order to improve mutual understanding and to contribute to the development of a forward-looking and realistic EU trade and investment policy.
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