

**COMPETITIVENESS  
ACTION PLAN  
2004**





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# EUROPEAN COMPETITIVENESS NEEDS ACTION AT NATIONAL LEVEL

BY PHILIPPE DE BUCK - SECRETARY GENERAL

The Lisbon Strategy for making Europe the most competitive economy in the world by 2010 is in trouble. At the beginning of this year the European Commission released the "Spring Report", its annual assessment of the status of the Lisbon Strategy. This report states the same harsh truths as the UNICE 2004 report on the Lisbon Strategy: the EU is a long way from the Lisbon goal, with deteriorating productivity growth and an inadequate employment rate. This situation is mainly due to scant economic reform in Member States.

Despite these facts, however, many decision-makers throughout Europe still lack a real sense of urgency in the Lisbon Strategy agenda. The European business community is worried about this

attitude, because if policy-makers do not finally change the pace and power of their economic reform measures, Europe will be seriously in danger of frittering away its relative prosperity and status in the world.

During our Competitiveness Day in November 2003, we voiced the urgent need for economic reform loudly to decision-makers, and released on that occasion the Manifesto for Competitiveness, which is a call for action to bring the Lisbon Strategy back on track. Now, in view of the Spring Summit 2004, UNICE and its member federations have broken the Manifesto down into an action plan, which focuses on three areas:

## EU agenda

In addition, UNICE presents a list of crucial issues that must be addressed by the European Council this spring. This concerns concrete EU policy measures on the one hand, and issues to improve governance of the EU on the other.

## Internal Market

Finally, this "*Competitiveness Action Plan 2004*" launches an appeal to complete the Internal Market as a cornerstone of the Lisbon Strategy and a project which necessitates increased efforts by both EU institutions and Member States. There are still many deficiencies in the practical functioning of the Internal Market, which a survey among European companies, conducted by a number of UNICE member federations, confirms.

## National implementation

European competitiveness can only be preserved if the Lisbon Strategy is implemented in European capitals. Therefore this document assembles some of the crucial recommendations for economic reform made by UNICE member federations to their national governments. These recommendations to national authorities fall under the five priority areas identified in the *Manifesto for Competitiveness*:

- ◆ Better Regulation
- ◆ Public Finance
- ◆ Innovation
- ◆ Employment
- ◆ Internal Market

Amidst all the political events that 2004 will bring, making Europe competitive must remain the driving force and inspirational goal of the EU.

Ahead of enlargement, the Lisbon Spring Summit 2004 must give clear evidence of the will to do so.

Heeding the Lisbon agenda means providing European citizens with more jobs and prosperity, and, as a consequence, improving public acceptance of the EU - which it badly needs at the moment.

# EU AGENDA

**EUROPEAN BUSINESS WILL CONSIDER THIS SPRING A SUCCESS FOR EUROPEAN COMPETITIVENESS IF SIGNIFICANT PROGRESS IS ACHIEVED IN THE FOLLOWING ISSUES AT THE SPRING SUMMIT OR IN MEETINGS OF THE COMPETITIVENESS COUNCIL**

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## Policy measures

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### ◆ **Kok Report**

Ensure that the recommendations of the Report of the European Employment Task Force are acted on.

### ◆ **Kyoto**

Take stock of the EU climate change programme within the context of the emerging international situation, most notably of Russia's and the United States' position on the Kyoto Protocol.

### ◆ **REACH**

Reiterate the imperative of further impact assessment of the REACH proposal as an essential step in improving its workability.

### ◆ **Community Patent**

Reject the latest compromise and reinstate the project on a sounder basis taking into account primarily the interests of companies and EU competitiveness.

### ◆ **State Aid Rules**

Move towards the simplification of procedures related to R&D state aid, applying to all companies.

### ◆ **European Agenda for Entrepreneurship**

Provide unconditional commitment to achieving results through implementing and focusing the key actions foreseen in the Commission's Entrepreneurship Action Plan.

### ◆ **International Economic Relations**

Appeal for a re-launch of the Doha round.

### ◆ **Liberalisation of Network Industries**

Point to the need for stronger European supervision of national implementation of network industry liberalisation, in particular in the energy sector, this being an essential step towards the reduction of production cost for companies.

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## Governance issues

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### ◆ **Better Regulation**

Endorse the letter on better regulation sent by the Irish, Dutch, Luxembourg and British Finance Ministers to their European colleagues. Strive for more effective and efficient business impact assessments, by strongly embedding them in EU decision-making structures. The counter-productive employee participation provisions in the 10th company law Directive is the latest example of how regulation should not be drafted in the EU.

### ◆ **Community Budget 2007 - 2013**

Emphasise that EU spending should be linked more strongly to the Lisbon goals.

### ◆ **New Commission**

Give support to the appointment of a Competitiveness Commissioner to initiate policy reform, manage impact assessments and prepare the work of the Competitiveness Council. He or she should have the rank of a vice-president.

### ◆ **Competitiveness Council**

Reaffirm the primus inter pares role of the Competitiveness Council on all competitiveness-related decisions of the Council of Ministers and transfer to it responsibility for co-ordinating preparation of the Spring European Council from 2005 onwards.

# SURVEY ON THE INTERNAL MARKET

**IT IS TIME FOR THE EUROPEAN UNION AND MEMBER STATES TO GET BACK TO THE BUSINESS OF BUSINESS! IT IS TIME TO DELIVER ON THE PROMISE OF THE INTERNAL MARKET!**

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## **SURVEY OF 200 COMPANIES, TWO THIRDS OF WHICH ARE SMEs WITH FEWER THAN 250 EMPLOYEES**

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*Ten years after the Internal Market came into existence, companies still encounter barriers that hinder free movement of goods and services and at the general level decision-makers appear to have difficulty taking action to improve the situation.*

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## **KEY CONCLUSIONS AND RECOMMENDATIONS AT EUROPEAN AND MEMBER-STATE LEVELS**

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The survey conducted by several UNICE member federations has sought to establish whether companies fully benefit from the Internal Market. What types of barriers, if any they continue to encounter in daily business, and how they tackle such challenges. Some of the key findings and policy conclusions of the survey indicate that:

- ◆ More than a quarter of the surveyed companies say that the Single Market has led to over-burdensome and unclear regulation;
- ◆ More than half of the companies still meet mandatory, additional national requirements that

result in product changes, and;

- ◆ Many companies still need to do extra national testing/certification of products and meet extra national documentation requirements.

It is clear from this survey that action is required to enhance the Internal Market and help make it one in which businesses can be created and encouraged to grow unhindered by regulatory barriers and obstacles to the free movement of services and products. What is equally clear is that responsibility for undertaking these actions must be accepted and acted upon at both the European and the national level.

- ◆ Clearer, simpler and better legislation (which has undergone a rigorous impact assessment) is required if the full potential of the Internal Market is to be fully realised.

- ◆ Enhanced national and cross-border communication and cooperation is key to surmounting mis-interpretation and misapprehension about the Internal Market.

- ◆ A compatibility test should be initiated with the Internal Market for all new national regulation.

- ◆ Strengthen and support CE-marking. It is recognised but not understood.

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**2004 IS AN IMPORTANT  
YEAR FOR THE EUROPEAN  
UNION, THE LARGER  
INTERNAL MARKET AND  
EUROPE AS A WHOLE**

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The Internal Market is the most obvious way in which to provide new impetus to increase European growth and competitiveness. A newly invigorated European Internal Market with the benefits and opportunities that it entails for both business and consumers is one of the most positive steps that could be taken to reinforce the European message in (and beyond) the new enlarged EU. However in order for business and consumers to fully reap the benefits of the EU, all responsible parties need to take action and strive to create a more efficient and competitive Internal Market.

*For more information on this survey please log in to the UNICE website at*

***[www.unice.org](http://www.unice.org)***



# NATIONAL IMPLEMENTATION

Ahead of the Spring Summit, UNICE member federations address to national authorities some of their crucial recommendations for national policy reform. Heeding these recommendations will achieve progress in the five top action points of the Manifesto for Competitiveness produced by UNICE for the first "Competitiveness Day" on 14 November 2003.

## DELIVER - TOP ACTION POINTS

### Better Regulation

Reduce existing regulation substantially and set up compulsory business impact assessments for new legislative proposals. The real potential cost of legislation for business must be clear before political decision-making procedures are started.

### Public Finance

Encourage social protection reform and decrease structural government deficits in view of meeting the challenge of an ageing population and of unsustainable public expenditure levels.

### Innovation

Develop research policies focused on stimulating R&D and innovation, also in view of industry cooperation with knowledge institutions.

### Employment

Accelerate reform of national labour market regulation in order to introduce more flexibility, increase the number and quality of jobs and productivity at work.

### Internal Market

Boost internal market efficiency through tackling the transposition deficit and timely realisation of Trans-European Networks but without further straining public budgets.

The Federation of Austrian Industry (IV) urges the Austrian authorities to deliver on the following issues:

**Better Regulation**

Conduct an impact assessment of and develop an integrated approach for transposition of the emissions trading directive (national allocation plan), the EU energy tax directive and the eco-electricity regulation: the total cost burden on energy-intensive industries in Austria must be capped in order to maintain companies' competitiveness.

**Public Finance**

Push through a thorough administrative and bureaucratic reform in the framework of the current Austrian constitutional review with the goal of achieving a significant and sustainable reduction in public spending.

**Innovation**

Improve the targeted deployment of public spending on innovation promotion for application-oriented and pre-commercial projects and programmes with maximum leverage in key areas ("strengthen strengths").

**Employment**

Simplify immigration procedures for skilled labour from non-EU countries; do not apply the maximum transition period (currently seven years) for immigration of skilled labour from the new EU Member States.

**Internal Market**

Strive for effective energy liberalisation, with competitive instead of artificial energy prices to prevent a price increase caused by prohibitive network access charges or by oligopolies and price agreements on the European electricity market.



The Federation of Enterprises in Belgium (VBO-FEB) urges the Belgian authorities to deliver on the following issues:

<b>Better Regulation</b>	Quickly implement the very positive recent decisions and intentions from the federal government. Restore quantitative objectives for deregulation. Develop the federal "Crosspoint Bank of Enterprises" as a real backbone for administrative simplification (connect not only federal administrations but also regional administrations). Fully implement the cooperation agreement on administrative simplification between the federal and regional authorities. Organise information and reporting duties in a manner that encourages responsible behaviour: companies that meet the obligations imposed by law or individual licence must be entitled to fewer administrative requirements.
<b>Public Finance</b>	Raise the effective retirement age in order to make pensions sustainable; in Belgium, this age is among the lowest (58.1 years of age on average). In order to encourage citizens to work longer, incorporate an incentive in calculation of the state pension, which would make it possible to gain credits for time worked beyond 60 years of age; a corresponding disincentive would penalise early withdrawal from the labour market.
<b>Innovation</b>	Give tax incentives to companies through adaptation of the investment deduction for the cost of innovation (e.g. through introduction of a general refundable tax credit) and extension of the 50% credit on salary withholding tax to all enterprises.
<b>Employment</b>	Relax labour rules regarding the possibility for employees to work overtime. It should be possible to conclude an individual contract with the worker concerned. In addition, regarding the arrangements for overtime pay, the choice should be left to the employee between financial compensation and time off in lieu, whereas the law requires time off in lieu.
<b>Internal Market</b>	Boost the process with the Netherlands and Germany of putting in place the freight rail link between Antwerp and the Ruhr (IJzeren Rijn). Get work started on the wide canal between Seine and Scheldt (Seine Nord Europe) and complete the work under way in the Scheldt basin on Belgian territory. Carry out preliminary studies on realisation of the high-speed Brussels-Luxembourg rail link, use European credits to accelerate the complex of locks at Lanaye (Meuse - Rhine). Finalise the correct implementation of the first railway package and speed up implementation of the regulatory framework for electronic communications.

The Confederation of Danish Industries (DI) and the Danish Employers' Confederation (DA) urge the Danish authorities to deliver on the following issues:

**Better Regulation**

Introduce a compulsory assessment of all legislation that systematically measures and quantifies the burden on companies of rules and regulations affecting business (like the Dutch MISTRAL model).

**Public Finance**

Reduce public debt to 50% of GDP by 2010 to secure sustainability and at the same time create room for a significant reduction in taxation of labour.

**Innovation**

Increase public investment in research by at least 1% of GDP towards 2010 in parallel with raising considerably the number of researchers in the area of technology and natural sciences.

**Employment**

Provide an adequate labour supply by ensuring better integration of immigrants and pursuing comprehensive strategies for active ageing, which includes removing incentives for early retirement.

**Internal Market**

Prioritise the linking of Eastern Denmark and the rest of Scandinavia with Germany by establishing a Fehmarn - Belt bridge connection.

The Confederation of Finnish Industry and Employers (TT) and the Employers' Confederation of Service Industries (PT) urge the Finnish authorities to deliver on the following issues:

### Better Regulation

Remove unnecessary bureaucracy and increase interactive eGovernment services in order to minimise the workload for fulfilling administrative requirements and to allow cost reductions in enterprises. Setting up a new business is still too cumbersome and time-consuming in Finland. Furthermore, remedies should be found to encourage entrepreneurial activities even after business failures, and negative attitudes towards failure should be improved.

### Public Finance

Continue to reduce labour taxation and indirect labour costs in order to foster economic growth, entrepreneurship and employment. The Finnish government has made a decision to reduce the corporate income tax rate from 29 to 26 per cent in 2005. Furthermore, reduction of the corporate tax burden should be continued in order to increase confidence, encourage investments and strengthen the international competitiveness of companies, as well as having positive effects on employment.

### Innovation

Modernise the initial vocational training in its form and content in order to become more attractive to young people and meet the real needs of working life. These reforms are urgently needed to ensure the supply of skilled workers in the very near future.

### Employment

Increase the role of the company level in wage formation, in order to achieve flexible wage development that reflects levels of and changes in profitability and productivity. Labour market reforms should by and large be directed towards increasing flexibility at company level and be accompanied by reforms of social security and a strengthening of active employment policies with a view to encouraging people to enter the open labour market.

### Internal Market

The EU Commission has published a new list of TEN priority projects, which includes the Nordic Triangle and Motorway of the Baltic Sea. These are also included in the Commission growth initiative. Part of the Nordic Triangle is the motorway E18 between Helsinki and Vaalimaa and railway from Helsinki to Vainikkala. National decision-making in Finland concerning these projects should now be highly prioritised. Motorway of the Baltic Sea needs also quick actions for a joint operational programme between the states around the Baltic Sea. Winter navigation and ice-breaking should be an essential part of that programme.

The Confederation of French Enterprises (MEDEF) urges the French authorities to deliver on the following issues:

### Better Regulation

Reduce and simplify the rules applicable to companies, in particular SMEs, and create an independent committee to assess the impact of rules on companies.

### Public Finance

Carry out structural reforms to ensure the long-term viability of French social protection systems (sickness insurance, pensions, etc.) while guaranteeing sustainable control over the drift observed hitherto.

Resources are by definition limited and it is no longer possible to keep adjusting revenues to meet expenditures. The inverse logic should be applied: reforms must be carried out by establishing new rules which make it possible to construct efficient and balanced systems without increasing the burden of obligatory levies weighing companies down.

### Innovation

Rationalise expenditures and simplify procedures on the basis of benchmarking against the best European practices. Target public research on enterprise projects (partnerships between public laboratories and private companies).

### Employment

Revitalise social dialogue by widening the ambit of collective bargaining, currently confined to an excessively narrow field due to the omnipresence of the law and the courts. It would be useful to give the social partners greater latitude in the preparation of labour law by limiting the role of the legislator to definition of broad principles for determining the public social order. Alongside establishment of the principle of subsidiarity in legislative matters, it is necessary to sweep aside the rigidities that bedevil collective bargaining. The Fillon law, currently under discussion, moves in the right direction with the one exception that it still retains law as the paramount element.

### Internal Market

Pursue the liberalisation movement initiated in the fields of energy, transport, telecommunications and postal services with creation of clear and efficient supervision rules and procedures. Greater consideration should be given to the levels of constraints placed on companies in terms of industrial safety, risk management and combating emissions, and the practice of voluntary agreements should be encouraged.

The Federation of German Industries (BDI) and the Confederation of German Employers' Associations (BDA) urge the German authorities to deliver on the following issues:

### Better Regulation

Develop legislative impact assessment as a simple and efficient tool: for every legislative proposal, the cost that this proposal would impose on business should be analysed.

### Public Finance

Following on from the company tax reform of 2001, further review German company taxation. In order to reduce the very high tax burdens, a further lowering of tax rates is necessary. The specific German business tax ("Gewerbsteuer") should be abolished.

### Innovation

Create a new instrument called "Forschungsprämie" (research bonus) to strengthen the links between industry and public research. Public research institutes should receive an additional amount of money from public sources if they win a research contract from a private company. The EU should recognise this as a desirable indirect fiscal measure (not targeted on specific fields of research).

### Employment

Push through more thorough structural reforms, which must equally include further steps to reform social security systems. Concentrate unemployment benefits on a contribution-based basic protection, introduce favourable conditions with regard to the tax and social security systems, focus on market-oriented job placement and economic use of financial resources, and increase flexible forms of employment.

### Internal Market

Direct a substantial part of investments in the Trans-European Transport Network to road infrastructure, especially to cross-border projects with Poland and the Czech Republic. Moreover, the Danube is one of Europe's most important inland waterways. Elimination of the bottleneck between Straubing and Vilshofen is a central point in cross-European transport.

The Federation of Greek Industries (SEV) urges the Greek authorities to deliver on the following issues:

**Better Regulation**

Codify tax legislation and abolish tax charges that raise less than they cost to collect. Also, establish an independent national impact assessment monitoring unit that would be entitled to examine new as well as existing national legislation and regulations. The main priority is to reduce the administrative burden.

**Public Finance**

Establish a sound tax system with predictable tax charges and ensure the sustainability of public finances. Effective control of primary government expenditure is necessary.

**Innovation**

Reduce the total cost of patents and protect copyright. Reorient university research towards innovation, co-operate with market forces and facilitate researcher mobility.

**Employment**

Accelerate the labour reform, among other things modifying the legislation on overtime working and working hours per day. In addition, give tax incentives for investment in development of competences and skills, and give incentives to enterprises in order to raise the employment rate of older workers.

**Internal Market**

Facilitate freight transit through third European countries. Improve public infrastructure; especially ports, railways and national highways. It is important to develop the infrastructure in the frame of north and south axes.

The Irish Business and Employers Confederation (IBEC) urges the Irish authorities to deliver on the following issues:

<p><b>Better Regulation</b></p>	<p>Elaborate a national strategy on entrepreneurship. In order to promote the Better Regulation agenda, IBEC will be holding a conference on better regulation on 19 April 2004.</p>
<p><b>Public Finance</b></p>	<p>IBEC welcomes the firm commitment by the Irish government that future growth in public spending will be dependent on the level of economic growth, and must match available resources. Since 1999, there has been a legal obligation that government contributes 1% of GNP to the National Pension Reserve Fund. These measures constitute key factors for stability in public finances and the challenges of an ageing population.</p>
<p><b>Innovation</b></p>	<p>Simplify procedures for accessing the available supports. In addition to recognising Ireland as a leader in the areas of R&amp;D and innovation, it is necessary to accelerate the level and pace of commercialisation of research and licensing of patents.</p>
<p><b>Employment</b></p>	<p>Implement the general recommendations of the Kok report as a matter of urgency.</p>
<p><b>Internal Market</b></p>	<p>Improve the physical infrastructure of the country. The 2007-2013 National Development Plan should aim to provide world-class public and private transport, energy, telecommunications and waste infrastructure in order to retain existing and attract new inward investment.</p>

The General Confederation of Italian Industries (Confindustria) urges the Italian authorities to deliver on the following issues:

**Better Regulation**

Accelerate the existing process of legislative simplification, giving concrete implementation to the proposals included in the Simplification Law of 2001 with regard to the sectors of priority interest for the production system. Accelerate realisation of the "online electronic register of bureaucratic procedures" which will include a complete and easily accessible list of all bureaucratic procedures imposed on business. Simplify and rationalise the bureaucratic procedures needed for doing business with particular regard to starting a new business.

**Public Finance**

Limit the use of one-off measures and extraordinary financial operations and implement instead expenditure-containment measures. Italy would enhance its position with launch of a long-term reform of the pensions system and by ensuring more rigorous management of specific items of current expenditure. In the tax field, the overall tax burden should be reduced, starting with the regional production tax (IRAP).

**Innovation**

Define a long-term policy to support R&D with yearly allocation of adequate resources, having in mind the 3% goal. Foster the reform process within universities and public research centres, introducing a new system based on evaluation and support of excellence and allocation of funds according to the real capacity to carry out important research. Promote entrepreneurship in the high-tech sectors, creating more specialised high tech centres, and reducing taxation on the capital allocated to R&D activities.

**Employment**

Rapidly complete the labour market reform, with particular reference to: employment incentives, unemployment benefits and other measures supporting regular employment and companies' needs. Adapt training policies (and their financing) to companies' needs and promote a training system coherent with economic development and able to satisfy companies' needs and a valorisation of employees' competences.

**Internal Market**

The internal market depends on an efficient and complete realisation of the Trans-European Transport Network. This requires the improvement of public procurement legislation on operative aspects such as participation of private capital, extension of integrated systems of assignment and procedures for simplification and innovation. Taking into account the present economic situation, the limited private investments should be sustained by public financial resources coherent with infrastructure needs.



The Federation of Luxembourg Industrialists (FEDIL) urges the Luxembourg authorities to deliver on the following issues:

## Better Regulation

Apply principles laid down in the "Joint Initiative on Regulatory Reform" at national level. In particular, Luxembourg authorities need to decrease the administrative burden on business in the field of environmental legislation in order to boost investment and entrepreneurship. Simplification also implies making administrations work more effectively through better use of modern communication technologies.

## Public Finance

Adapt public expenditure to lower level of economic growth while maintaining a high level of investment in areas fostering innovation and competitiveness of the economy in the longer term. Reforms are needed in the medium term to ensure the long-term sustainability of social protection systems.

## Innovation

Further increase public research spending and focus it on areas with potential economic benefit. The recently created "University of Luxembourg" should therefore serve as an instrument to increase cooperation between companies and public R&D institutions. The introduction of further incentives to encourage private R&D and innovation (fiscal, state aid, etc) should be considered.

## Employment

Simplify the legal framework on working time in order to allow for greater flexibility. The current law regulating the integration of disabled people in the labour market should be reformed, as results are disappointing.

## Internal Market

Exploit opportunities to connect Luxembourg to the electricity networks in neighbouring countries. The same applies for railways and roadways. Being an open economy, Luxembourg should cut delays in transposing EU legislation, in order to benefit from new opportunities.

The Confederation of Norwegian Business and Industries (NHO) urges the Norwegian authorities to deliver on the following issues:

**Better Regulation**

Strengthen efforts to remove unnecessary administrative and economic burden and thus facilitate entrepreneurial efforts in turning innovations into business. To foster entrepreneurship there must be increased access to seed-capital, primarily from private sources. The government should contribute to the relief of risk connected to seed-capital. Cooperation between private and government sector can contribute to improving the inflow of capital funds.

**Public Finance**

Transform national pension schemes partly into privately managed funds. This will make long-range fiscal policy challenges clearer and may promote a long-term approach to fiscal policy and strengthen the capital market.

**Innovation**

Increase R&D activities as a share of GDP to match the OECD average at the very least. Most of the increase in R&D must be made by business and industry - this is where Norway lags behind compared with other countries. Public incentive schemes like SkatteFunn must continue to promote industrial R&D.

**Employment**

Make a stronger connection between lifetime income and pension income. All parties must assume a clearer responsibility for finding solutions through enterprise, and not through passive social security schemes. More of the resources of the welfare state must be channelled into activities in enterprises. It must be cheaper for enterprises to retain older employees, for example through a reduced payroll tax. It must be easier to combine work and the various social security schemes.

**Internal Market**

Carry through impact analysis and Internal Market compatibility tests for all new national legislation. The European Economic Area (EEA) Agreement extends the EU's Internal Market to Norway. This means that EU law covering the "four freedoms" (free movement of goods, services, capital and persons) as well as competition and state aid rules apply equally to Norway as they do to the fifteen EU States.

The Portuguese Industrial Association (AIP) and the Confederation of the Portuguese Industry (CIP) urge the Portuguese authorities to deliver on the following issues:

<b>Better Regulation</b>	<p>Improve legislative quality through an effective impact assessment of initiatives. Public administration reform should focus on ensuring simplified and faster administrative procedures, provision of efficient public services and combating waste.</p>
<b>Public Finance</b>	<p>Consolidate current public expenditure while focusing public investment on projects of unquestionably high value-added.</p>
<b>Innovation</b>	<p>Develop an efficient system of lifelong learning and training. Regarding R&amp;D, private investment should be promoted through effective tax policy and reinforcement of cooperation between companies and public R&amp;D institutions. Investment in R&amp;D should be 2% of GDP. 50% of the investment in R&amp;D should be supported by public funds.</p>
<b>Employment</b>	<p>Enable flexibility of legislation on dismissals and ensure truly effective legislation on absenteeism.</p>
<b>Internal Market</b>	<p>Ensure effective competition, particularly in telecommunications and energy markets. Enable contribution of transport infrastructures, namely maritime and rail, and also by means of public-private partnership, in order to avoid excessive road dependence - which constitutes a serious economic, energy and environmental limitation - while ensuring effective insertion of the Trans-European Networks as an element for completion of the Internal Market.</p>

The Spanish Confederation of Business Organisations (CEOE) urges the Spanish authorities to deliver on the following issues:

### Better Regulation

Compliance with the Kyoto Protocol is a national issue. Any measure to be implemented should take into account and be compatible with national economic growth. The final impact of the emissions trading directive on the sectors concerned and on the national economy will depend on how the National Allocation Plan (NAP) is drawn up. The central aim should be to put in place a system of allocations to installations of allowances that are sufficient, free of charge, ensure competitiveness and maintain the viability of future investment. The NAP should provide the allowances required while being compatible with the overall Kyoto commitment.

### Public Finance

Reduce business taxation, as the successful tax reduction policy of the past has been focused on individuals rather than on business. Efforts made on the renewal and modernisation of productivity structures should be supported. Budgetary stability should be maintained.

### Innovation

Increase investment in R&D and innovation (R+D+I). The national Plan on Scientific Research, Development and Technology Innovation (2004-07) is oriented to financing universities and public research institutions rather than financing business R+D+I. Actions should be addressed to increasing the technological capabilities of business. Activities on R+D+I carried out by universities and technological centres should be focused on business necessities.

### Employment

Continue the reform process (started by social partners in 1997) of the institutional and legal framework in the labour relations field. A general reduction of the employer contribution to the social security system (among the highest of the EU) would also be crucial (this is possible in the short term due to the existing surplus in the social security budget). In order to address very low geographical mobility it is necessary to redress the lack of coordination between different national, regional and local institutions in some particular areas. Special attention should be paid to some groups, especially women and people with disabilities.

### Internal Market

Carry out actions to avoid monopolies and oligopolies in the Internal Market by implementing the electricity and gas directives by the foreseen deadlines. It is of the utmost importance to develop transport infrastructures in order to allow business to achieve the full benefits of the Internal Market in EU-25.

The Confederation of Swedish Enterprises (SN) urges the Swedish authorities to deliver on the following issues:

<b>Better Regulation</b>	Set a target for deregulation and decreasing the regulatory burden by 25% by 2010. The Commission proposal "Better Lawmaking action plan" and good national models (NL, IRL, UK, LUX) striving for a European model has to be supported and implemented with a follow-up mechanism measuring and quantifying the burden for companies. The OECD/Puma model contains experience worth looking at as well.
<b>Public Finance</b>	Fulfil the target of achieving a public surplus of 2% over the business cycle. In Sweden both taxes and public expenditures as a share of GDP have to be reduced without damaging the public surplus. Priority has to be given to abolishing both wealth and inheritance taxes as well as lowering taxes on entrepreneurship.
<b>Innovation</b>	Create a growth-related R&D policy. Improve quality in the field of education and research and increase public awareness about the competence requirements of companies. A goal must be to improve collaboration between enterprise and education and research facilities.
<b>Employment</b>	Make the Swedish labour market more flexible to allow structural changes. Taxes and benefits must be changed to make work pay. A more decentralised and balanced bargaining system should allow wages to better reflect productivity differences. Free movement of labour in EU-25 must be encouraged, not least through cross-border transferability of pension rights and social benefits. Open up to labour migration from non-EU countries. Sweden has the highest employee absenteeism due to illness in the EU. This is not due to unhealthy citizens or poor working conditions. The sickness scheme has to be revised with better controls and more effective healthcare and rehabilitation.
<b>Internal Market</b>	Prioritise concluding agreements (Quick Start) on: the revised guidelines for the Trans-European Transport Network in particular for the Nordic Triangle, the Fehmarn - Belt bridge connection, Motorways of the Seas programme (in particular winter navigation and ice-breaking in the Baltic Sea) and support efforts for liberalisation on market access to port services within the EU.

The Confederation of Netherlands Industry and Employers (VNO-NCW) urges the Dutch authorities to deliver on the following issues:

**Better Regulation**

Stick to the target of reducing administrative costs by 25% by 2007 and to the related time schedules. A comprehensive approach to improve the quality of Dutch laws and regulations should be designed and decided upon in 2004.

**Public Finance**

Put improvement of the tax environment (including through a better corporate taxation regime) back on the political agenda. In comparison with its competitors, the Dutch tax environment has lost some of its attraction. As a result, the Dutch competitive position has deteriorated. This development should be reversed.

**Innovation**

Make the funding of public knowledge and research institutions like universities more dependent on cooperation with companies, in order to make them more market-driven and better geared towards the needs of business.

**Employment**

Reduce costs connected to dismissals (in particular the level of severance pay). Costs are too high especially when companies seek a dismissal permit through a court ruling. They are an impediment to the smooth functioning of the labour market and should be brought down.

**Internal Market**

Dutch electricity prices are relatively high in comparison with what competing companies in neighbouring countries have to pay. One of the reasons is the limited transmission capacity between the electricity grids in North-West Europe (including Norway). Access to the Dutch grid should be increased.

The Turkish Industry & Business Association (TÜSIAD) urges the Turkish authorities to deliver on the following issues:

### Better Regulation

Promote entrepreneurship in strengthening the work of the Committee on Improving the Investment Climate (YOIK) with further involvement of business organisations. Ensure efficient implementation of the new law on starting a business. Improve the regulations for intellectual property rights in accordance with the EU-Turkey customs union and in consultation with companies. Allow the establishment of new financial instruments such as venture capital.

### Public Finance

Persevere with implementation of the IMF economic programme imposing tight fiscal policy and reduced public sector expenditure with the objective of downsizing the public sector and improving fiscal balances. Improve the fiscal administration's efficiency and enlarge the tax base correspondingly to reduce the unregistered part of the economy. Reduce high tax burden.

### Innovation

Reinforce institutional and financial structures to promote innovation as a main driver of competitiveness. Transform innovation policy into Turkey's key instrument for economic growth and social development. Promote higher/vocational educational system open to innovation and creativity. Increase public investment in research and development.

### Employment

Revise the labour law with a view to applying flexible working patterns. Provisions for severance payments or other employee-related future liabilities should be deductible from corporate tax. Prioritise the problem of imbalance between men and women in the labour market.

### Internal Market

Improve the functioning of the EU-Turkey customs union by adopting the required legislation and by ensuring efficient implementation. Complete the transition to the free movement of services and opening of the public procurement market in tandem with the prerequisites of the accession negotiations.

The Confederation of British Industry (CBI) urges the British authorities to deliver on the following issues:

**Better Regulation**

Commit to undertake in-depth impact assessments so as to avoid placing any further restrictions on business. Restrictive legislation, especially with regard to social and environmental legislation, is reducing the attractiveness of the UK as a place to do business.

**Public Finance**

Reduce the financial and administrative pressures on employers sponsoring occupational pension schemes, in order to stabilise occupational pension provision.

**Innovation**

The UK's Research and Development (R&D) tax credits have an important role to play in maintaining and improving the competitiveness of the UK. However, improvements to the system are necessary on three distinct issues: the definition of qualifying R&D, the cost categories of R&D expenditure which qualify for the credit, and the tax credit rate. It is vital that government commits to providing funding arrangements that will improve tax credits for the long term. Additional resources should also be put into marketing the tax credit, in particular to companies undertaking R&D related to new services and processes to demonstrate that the tax credit is not just aimed at product-related R&D. Improvements to the tax credit should be linked to development of the government's innovation policy and science and technology strategies, to ensure that the UK provides the most effective overall incentive for national and global R&D investment.

**Employment**

Address workforce deficiencies in basic skills, as well as inadequacies in the provision and take-up of lifelong learning. Also it must be ensured that all decision-makers recognise the vital role that the UK's flexible labour market policies play in delivering employment growth and employee choice. Any further inappropriate legislation should be strongly resisted and the government must resist 'gold-plating' EU regulation, a process that undermines the UK's labour market flexibility.

**Internal Market**

Undertake to provide sustained and increased public and private investment over the longer term to improve the UK's transport capability. The government should also provide better short-term delivery commitments and ensure a more effective and joined-up approach to policy and investment decisions. This must include better integration between different transport modes, transport and other key processes (e.g. land use planning) and domestic and international transport infrastructure.



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