

5.03.04

**Key issues for the EU Council – Spring Summit on 25<sup>th</sup> March 2004**

**“Meeting the Lisbon Challenges”**

UNICE would like to voice more specific views of European business on the Spring Summit and comment directly on the recently published draft Presidency Conclusions (17 February 2004).

The opportunity of the Spring Summit must not be missed to confirm the Lisbon Strategy as a cornerstone of the European project and vital for the future of our continent. Ireland, having lived through a highly successful modernisation of its economy, is perfectly suited to give the Lisbon Strategy a badly needed fresh boost.

The European business community has noted with high appreciation the strong efforts which the Irish Presidency has so far undertaken to boost the competitiveness agenda. The draft conclusions of the 25/26 Spring Summit, published on 17 February, also point in the right direction. Before commenting in detail on the draft conclusions, UNICE would like to stress three issues, not currently mentioned in the draft conclusions but that are of particular concern to European business and which business judges crucial to be considered by the European Council:

- **Entrepreneurship**

Entrepreneurship is of the essence of the Lisbon Strategy. UNICE would therefore like a clear commitment from Member States at the Spring European Council to implement the "European Agenda for Entrepreneurship", as the Commission has recently adopted the action plan on entrepreneurship, which it was requested to produce at the Spring Summit in March 2003.

- **Kyoto**

The non-entry into force of the Kyoto Protocol is of major concern to UNICE members. Unilateral EU action to combat climate change will seriously harm the competitiveness of EU industry through increased costs both for exports from the EU and against imports into the EU, whilst only having a minor effect on reducing emissions of greenhouse gases. The EU should redouble efforts to get the Kyoto Protocol ratified. At the same time, the economic consequences of a persistent situation of non-ratification must be evaluated with a view to considering corrective actions that would have to be implemented.

- **REACH**

UNICE is still concerned that the potential impact of the current REACH proposal on the whole of European industry and economy has not yet been properly assessed. Depending on the decisions taken by the Competitiveness Council on 11 March, it could prove important that the European Council reiterates the imperative of a comprehensive impact assessment.

## Comments on draft Presidency Conclusions of the Spring Summit 25/26 March 2004: “Meeting the Lisbon Challenge”

### “Delivery”

- *General comment*

UNICE welcomes the general assessment of the current Lisbon Strategy status. It hits the right tone between emergency on the one hand, and forward-looking confidence and resolution on the other. Especially important is the strong denouncement of lack in national implementation of agreed measures.

### Section “SUSTAINABLE GROWTH”

#### (i) Sound macro-economic policies

- *Growth potential*

The strong focus on growth is the right approach under current conditions of low growth rates in Europe. However, the challenge is not only to realise the existing growth potential, but also to increase the potential for growth: if the growth potential is too low, the risk will be that Europe might find itself overheating even with modest growth (of around 2%). Increasing growth potential will make it easier to have more growth and at the same time to maintain stability (including price stability). UNICE would therefore ask that the first sentence of Conclusion no 9 be amended as follows: 'Structural reforms also contribute significantly to increasing growth, *growth potential* and employment through...'

As rightly stressed in the draft Conclusions, fiscal discipline in line with the Stability and Growth Pact is a necessary condition for sustainable economic growth, especially given the dramatic ageing of Europe's population.

#### (ii) Environmentally sustainable growth

- *General comment*

The European business community is committed to sustainable development. Given the fact that we live in a globalised world, it must be ensured, however, that due consideration is given to the international competitive situation, when devising measures for environmental protection. In that perspective the Environmental Technologies Action Plan must remain a flexible tool, taking into account local conditions, and leave industry the time to implement the best available technologies according to its specific processes.

Likewise, environmental issues like REACH and the implementation in the EU of the Kyoto protocol must be thoroughly assessed for their international “competitiveness-proofness”.

- *Kyoto*

The European Council should ensure that, given the uncertainty which exists regarding the ratification of the Kyoto Protocol, the Commission conducts a review of the EU climate change linked policies (including energy, transport, competitiveness, emission trading etc). This review should consider the case of non-ratification by the major economic areas and look at the negative consequences of a continuing unilateral European policy, both in economic terms

(reduction of Europe's competitiveness and of its attractiveness as a place to invest), and in environmental terms (non-achievement of the Kyoto global environmental goals; weakening of the European potential for innovation and investment in climate control technologies). The EU must prepare for an adaptation of its policies on the basis of such a review.

(iii) **Social Cohesion**

- *Modernising social protection systems*

UNICE fully agrees that high social cohesion is a crucial goal in the Lisbon Agenda. Measures to modernise social protection systems are a priority element to achieve that, especially when they aim at involving more people in the labour market. High employment is key for social cohesion.

(iv) **Competitiveness and Innovation**

- *Better regulation*

European business considers improvement of the regulatory framework as the most urgent horizontal challenge. Unfortunately, even some of the recent EU legislative initiatives risk being harmful to European competitiveness, like REACH or the counterproductive employee participation in the 10<sup>th</sup> Company Law Directive. Therefore the proposed endorsement of the letter by the Irish and three subsequent presidencies on better regulation is greatly welcomed by UNICE.

- *Institutional arrangements*

Improving regulation necessitates improving governance. The reiteration of the special role of the Competitiveness Council is key in that context. This Council formation must be given a real *primus-inter-pares* role within the Council of Ministers for all issues linked to competitiveness. The Competitiveness Council should also be assigned the leading role in preparing the Spring Councils, from 2005 onwards.

The draft Conclusions rightly state that "in the formation of the next Commission, the incoming President will wish to consider how to ensure the competitiveness agenda is effectively supported". UNICE supports the call for a Competitiveness Commissioner, whose role would be to initiate policy reform, manage impact assessments and prepare the work of the Competitiveness Council. In order to be really effective, this Commissioner would need, as in certain national governments, to be involved in overseeing social issues, and have the rank of a Commission Vice-President.

- *R&D and Innovation*

European business welcomes the emphasis on strengthening support and incentives to encourage business R&D and innovation, as well as strengthening the science and research capacity of Europe, and making the European Framework Programme for R&D more workable.

- *REACH*

UNICE is still concerned that the potential impact of the current REACH proposal on the whole of European industry and economy has not yet been properly assessed. Depending on the decisions taken by the Competitiveness Council on 11 March, it could prove important that the European Council reiterates the imperative of a comprehensive impact assessment.

- *Entrepreneurship*

Given the recent adoption of the Entrepreneurship Action Plan, UNICE would find it appropriate for the European Council to recognise that the promotion of enterprise is vital for reaching the Lisbon goal. Member States should commit themselves to implementing the explicit targets within the specified timetables as set out in the “European Agenda for Entrepreneurship”, to learn from good practices emerging from benchmarking exercises using the open method of coordination with a view to improving policies and to take entrepreneurship issues into account in all policy initiatives.

- *Liberalisation of Network Industries*

As regards the internal market, European business is particularly concerned about insufficient progress in liberalising some of the network industries, especially the energy sector. The European Council should call on the Commission to make a thorough assessment of the state of competition in these sectors.

### **Section “MORE AND BETTER JOBS”**

- *Kok Report*

UNICE welcomes that Heads of State or Government firmly commit themselves to both the spirit and the letter of the Kok Report, emphasising adaptability, attracting more people to the labour market, and investing in human capital as three particular challenges.

Regarding adaptability, the Kok report also states that flexibility is not just in the interest of employers, it also serves the interests of workers.

Concerning investing in human capital, we feel there is an over-emphasis on training funds as a means to increase company investment in training by sharing costs between employers. A recommendation to create the right incentives both for employers and individuals to engage in lifelong learning would be more effective and more in line with the approach advocated in the framework of actions of the European Social Partners on this subject adopted in March 2002.

### **Section “Building Partnerships for reform”**

- *European Partnership for change*

We fully support the call for building reform partnerships involving social partners in accordance with national arrangements and traditions. At EU level, UNICE is also already committed to supporting the Lisbon goals including actions in the European Social Dialogue. The proposed call for a “new” European Partnership for Change could therefore be misinterpreted and should be re-worded instead as a “renewed” Partnership for Change.

### **Section “Looking forward to 2005”**

- *Establishment High-level Group*

UNICE welcomes the initiative to establish an independent group reviewing the delivery of the Lisbon Strategy and identifying measures to strengthen the Lisbon

Agenda and achieve its objectives and targets. The group should take full account of the Kok Report.

- *Competitiveness Council*

Given its prominent tasks within the Lisbon Strategy, the Competitiveness Council should be assigned the leading role in the mid-term review.