

UNICE

THE VOICE OF BUSINESS IN EUROPE

 Austria	 Belgium	 Cyprus	 Czech Republic	 Denmark	 Denmark
 Finland	 France	 Germany	 Germany	 Greece	 Iceland
 Iceland	 Ireland	 Italy	 Luxembourg	 Malta	 Norway
 Poland	 Portugal	 Portugal	 Spain	 Sweden	 Switzerland
 Switzerland	 The Netherlands	 Turkey	 Turkey	 United Kingdom	 Bulgaria
 Estonia	 Hungary	 Lithuania	 Rep. of San Marino	 Romania	 Slovak Republic

168 AVENUE DE CORTENBERGH 1000 BRUSSELS BELGIUM

T +32 (0) 2 237 65 11 F +32 (2) 231 14 45 MAIN@UNICE.BE

WWW.UNICE.ORG

BUSINESS VISION FOR EUROPE

GROWTH, JOBS AND PROSPERITY



FOR OUR FUTURE

UNICE
THE VOICE OF BUSINESS IN EUROPE

UNICE POLICY PRIORITIES :

-  RELEASE ENTREPRENEURIAL ENERGY
-  BOOST INNOVATION
-  UNLEASH THE INTERNAL MARKET OF 25+
-  IMPROVE THE FUNCTIONING OF THE LABOUR MARKET
-  MAKE ENVIRONMENTAL POLICY MORE EFFECTIVE AND EFFICIENT
-  FOSTER INTERNATIONAL TRADE AND INVESTMENT

UNICE MESSAGE TO THE EUROPEAN INSTITUTIONS 2004-2009

Jürgen STRUBE
President of UNICE



Philippe de BUCK
Secretary General

The attached "fiches" contain recommendations on EU issues for which business sees urgent need for action. Heeding the recommendations will boost one or more of the policy priorities identified by UNICE as key for the next EU political cycle 2004-2009 in order to make Europe the most competitive economy by 2010.

“We urge you to be the engine for change”

The European Union faces serious difficulties in modernising our economy. Therefore we call on you as the new European decision-makers in the Commission, the Parliament but also the Member States' governments to lead the whole of European society to more competitiveness, and thus to more growth, jobs and prosperity!

The European economy is now challenged not only by the United States or Japan but also more and more by emerging economic regions with a young and skilled population. In this new world order, the European Union is losing prosperity because it has as yet failed to change into a more competitive economy.

Already in our 1999 political memorandum, we called for competitiveness to be placed at the top of the political agenda. We were happy that in Lisbon the heads of state and government proclaimed the aim of making Europe the most competitive and dynamic economy in the world by 2010. We thought that the Lisbon Strategy meant a real commitment to trigger all policies towards the achievement of that goal. Let us be frank: the European system has not been able to deliver, whereas other developed economies, particularly the US, have done much better in terms of growth, new jobs and therefore more prosperity for their citizens.

You must consider the Lisbon Strategy as positive, because it is the only one capable of maintaining the fundamentals of European social models. Achieving the Lisbon goals is also a sine qua non to generate the resources for a successful environmental policy.

Accordingly, we urge you to be the engine for change in Europe, which is all the more important in light of the enlargement on 1 May 2004, and future enlargements. New Member States know a lot about change. Take this golden opportunity to spread the positive attitude to change across the entire European Union.

What you will decide during your mandate between 2004 and 2009 is key for the future of each of our fellow citizens. Therefore we expect a clear strategy focused on competitiveness, realistic in its objectives and with a strong commitment to implement decisions already taken. Furthermore, your policy approach must include an in-depth communication strategy convincing European citizens, governments - all stakeholders - that better competitiveness is the only way to more growth, jobs and prosperity. Europe's dire need for better communication was highlighted by the record low turnout in the elections for the new European Parliament.

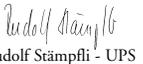
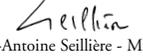
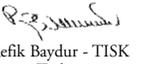
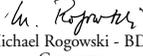
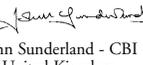
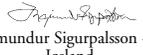
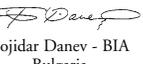
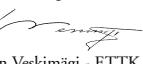
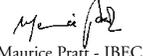
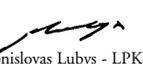
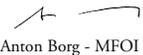
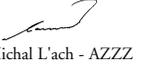
We, as representatives of the European business community, are prepared to collaborate with you. We still believe that the European Union can become the most competitive economy in the world. After all, our continent is the cradle of enterprise. It was here that inventions were first turned into innovations by the world's pioneer entrepreneurs.

In the enlarged Europe, it is up to all of us – and you in particular, by setting the right framework – to release the huge potential of companies.


Philippe de BUCK


Jürgen STRUBE

(This message is signed by Presidents of all UNICE member federations)

 Mr Veit Sorger-IV Austria	 Henryka Bohniarz - PKPP Poland
 Luc Vansteenkiste - VBO-FEB Belgium	 Jorge Rocha da Matos - AIP Portugal
 Byron Kranidiotis - OEB Cyprus	 Francisco van Zeller - CIP Portugal
 Jaroslav Míl - SP Czech Republic	 José María Cuevas-Salvador CEOE - Spain
 Jørgen Vorsholt - DA Denmark	 Michael Treschow - SN Sweden
 Johan Schröder - DI Denmark	 Ueli Forster - ECONOMIESUISSE Switzerland
 Juha Rantanen - EK Finland	 Rudolf Stämpfli - UPS Switzerland
 Ernest-Antoine Seillière - MEDEF France	 Jacques H. Schraven - VNO-NCW The Netherlands
 Dieter Hundt - BDA Germany	 Refik Baydur - TISK Turkey
 Michael Rogowski - BDI Germany	 Ömer Sabancı - TÜSIAD Turkey
 Ulysses Kyriacopoulos - SEV Greece	 John Sunderland - CBI United Kingdom
 Ingimundur Sigurðsson - SA Iceland	 Bojidar Danev - BIA Bulgaria
 Vilundur Josefsson - SI Iceland	 Enn Veskimägi - ETTK Estonia
 Maurice Pratt - IBEC Ireland	 János Vörtes - CEHIC Hungary
 Luca Cordero di Montezemolo Confindustria - Italy	 Bronislovas Lubys - LPK Lithuania
 Charles Krombach - FEDIL Luxembourg	 Franco Capicchioni - ANIS Republic of San Marino
 Anton Borg - MFOI Malta	 Gheorghe Copos - ACPR Romania
 Jens Ulltveit-Moe - NHO Norway	 Michal L'ach - AZZZ Slovak Republic

WHAT IS UNICE?

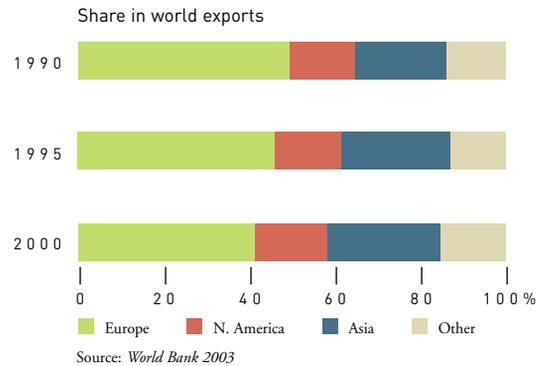
UNICE is the official voice of more than 20 million small, medium, and large companies. Active in European affairs since 1958, UNICE's members are 36 central industrial and employers federations from 30 countries, working together to achieve growth and competitiveness in Europe.

WHY EUROPE MUST CHANGE CHALLENGES FOR THE EUROPEAN ECONOMY

- GLOBALISATION HAS DEVELOPED A NEW DYNAMISM
- EUROPE MUST FACE UP TO AN AGEING POPULATION
- EUROPE'S ECONOMY LACKS GROWTH
- ENLARGEMENT IS A GOLDEN OPPORTUNITY TO BOOST EUROPE'S COMPETITIVENESS

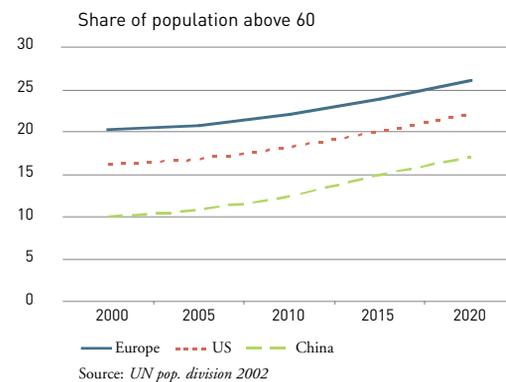
GLOBALISATION HAS DEVELOPED A NEW DYNAMISM

Today, “de-industrialisation” means moving R&D and high-technology production to regions that used to be merely low-cost production countries some years ago. At the same time, relocation of sophisticated business services has been made possible by new information and communication technologies. As a result, Europe’s share in world trade is shrinking.



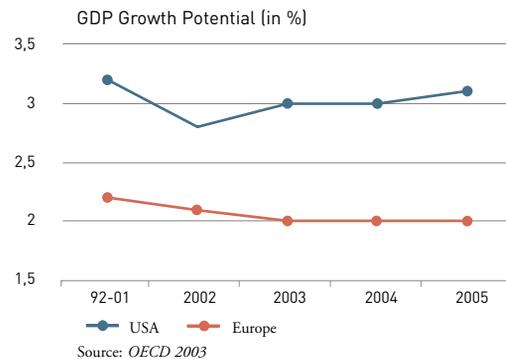
EUROPE MUST FACE UP TO AN AGEING POPULATION

An ageing population translates into fewer working-age people having to sustain an expanding number of pensioners and therefore endangers the sustainability of social security systems. On an international comparison, Europe’s share of older people in its population is exceptionally high.



EUROPE’S ECONOMY LACKS GROWTH

Europe is paying a high price for not yet having implemented necessary structural reform measures: lacklustre growth performances and a painfully low employment rate are the symptoms of an economy without proper dynamism. Whereas the US has the potential to grow by more than 3% a year, the EU’s growth potential has been shrinking since the 1990s.

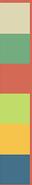


ENLARGEMENT IS A GOLDEN OPPORTUNITY TO BOOST EUROPE’S COMPETITIVENESS

The internal market of 25 and more countries will, if fully realised, offer tremendous opportunities for all European citizens. Moreover, enlargement creates healthy pressure for structural reforms, as many of the new Member States have undergone profound changes

in their economic structures, and are catching up with much more dynamic growth rates than the EU average. This dynamism should push economic laggards in the EU to accelerate their own economic reforms.

HOW TO CHANGE FOCUS ON COMPETITIVENESS

- 
- BETTER GOVERNANCE
 - BETTER REGULATION
 - BETTER COMMUNICATION



The ultimate goal of the Lisbon Strategy is to achieve sustainable well-being in Europe. An economic, a social and an environmental pillar are mobilised to that effect. To make these three pillars mutually reinforcing **Europe must recognise that the basis of sustainable development is sound economic growth.** Sound economic growth will facilitate job creation and prosperity and thus the provision of social welfare. Sound economic growth will also generate the flow of financial resources needed for investing in environmental protection.

Europe will only secure sound economic growth if its companies are competitive. **In the interest of society as a whole the new European institutions must focus all their policies on the objective of enhancing competitiveness in Europe.** Competitiveness must be at the heart of the 2005 review of the Lisbon Strategy, not because it is an end in itself, but because it is the indispensable basis for sustainable development and

well-being. This focus on competitiveness should result in a streamlining of all processes currently under way to coordinate, monitor and measure progress of the reform efforts included in the Lisbon Strategy such as the “Cardiff Process” or the “European Employment Strategy”.

The focus on competitiveness also demands more advanced economic analysis of the major regulatory and market trends that affect EU companies, taking into account the global perspective. **The development of economic monitoring tools,** open and responsive to the business community, will help to define more coordinated and competitiveness-oriented policies.



The European business community uses the image of Swift's Gulliver as a symbol for Europe's economic potential being tied down by excessive handicaps such as high taxes, red tape and rigid labour markets.

BETTER GOVERNANCE

■ The public sector in Europe must itself become more competitive. A considerable part of the heavy European tax burden is due to an obese public sector. This trend has to be reversed. **Setting growth of productivity as a key target for the public sector** should therefore be high on the agenda of every European government.

■ **The new EU institutions are key players** in implementing the Lisbon goals, as they will be in office during much of the remaining period until 2010. It is essential that they are strong, committed and well organised as they need to make up for lost time.

■ The EU should appoint a strong **Competitiveness Commissioner** with the task of overseeing all Commission work affecting Europe's competitiveness. This key person in the new Commission must focus on economic reform and consider the competitiveness of business from a European perspective in all decisions. The Competitiveness Commissioner needs to have a powerful equivalent in the Council. The **Competitiveness Council** must therefore further develop the mandate it was given by the European Council to evaluate competitiveness-related decisions of other Council formations and adapt or even stop them if necessary. Likewise, the **European Parliament** must ensure a clear focus on competitiveness in its organisational structure.

■ Enlargement has made it indispensable to **renovate the European institutional framework**. An EU of 25 and more Member States cannot function within the current governance system. Therefore UNICE applauds the European Council's adoption of a new constitutional treaty with improved institutional arrangements. The opportunity to implement these improvements as soon as possible must not be missed.

■ The financial perspectives 2007-2013 commit EU actions for years to come by setting a framework for future EU budgets. In order to substantiate the priorities EU institutions have set themselves, **budgets must be reallocated primarily towards policy areas that enhance competitiveness**. As the growth stimulus provided by the new and future Member States is a unique opportunity to boost Europe's competitiveness, the EU budget should help to accelerate the catching-up process of these economies. From a general perspective, efficient management of EU funds remains the key channel to ensure "good value for money".

■ **A competitive environment requires a stable macro-economic framework**. Policy-makers must therefore stick to the rules of the Stability and Growth Pact and keep an independent eye on price stability. Wage developments must be kept within the limits of productivity growth.

■ The most important reform policies to boost competitiveness have to be implemented at national level. **EU coordination of national reform policy must therefore be strengthened**, notably by fixing national objectives to complement quantitative Lisbon targets such as the 3% target for R&D spending or the 70% employment rate. National parliaments should also scrutinise their governments as to how they implement the pledges given at EU level.



BETTER REGULATION

■ Better regulation and less red tape is vital for doing business in Europe. At the Spring Summit 2004 the European Council has shown an exceptionally strong commitment to increasing the quality of legislation in the EU. This implies that regulation must be drafted and enacted at the **appropriate level** – national or European – and be **proportionate** to the problem that is to be solved. It must always be based on sound scientific facts. Better regulation also implies encouraging initiatives in favour of **self-regulation** or co-regulation. Naturally, better regulation also implies the **proper and swift implementation of Internal Market directives** into national law.

■ The Commission must fulfil its mandate from the Spring Council 2004 to “**refine impact assessments for new legislative proposals**” and “**to put a particular emphasis on measuring administrative burdens on companies**”. Impact assessments and consultation of stakeholder organisations should be mandatory for all proposed legislation in order to examine their impact on competitiveness, and should be carried out from

the very early drafting to the final adoption of legislation in Council and Parliament. Whereas all the necessary means to realise such impact assessments should be provided by the EU, business would like this exercise to be in the hands of an **independent body**. It should establish binding quality standards and a common analytical methodology for assessing draft legislation. It should further have effective sanctions at its disposal to change or even block proposals in case of deficiencies.

■ Concrete action plans **to simplify existing red tape and reduce compliance cost** must be put in place with ambitious targets and deadlines, incentives and controls. Member States should also be invited to furnish a list of national regulations for simplification.

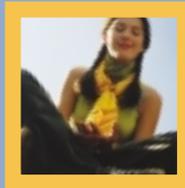
■ The expanding volume of the existing “acquis communautaire” is all the more harmful as the new Member States are struggling to implement it quickly and thoroughly. **New legislative initiatives therefore need to be absolutely essential in order to qualify for adoption in the coming years.**

BETTER COMMUNICATION

■ The Lisbon Strategy must be communicated in a way that reaches European citizens. Europe must better explain why reform measures for more competitiveness will eventually be in the interests of society as a whole. It has to be understood that reform is the basis of progress and therefore a

prerequisite for growth, jobs and well-being. For this purpose, **business urges investment in a European-wide communication strategy**, initiated by EU institutions, implemented by national governments and parliaments, and involving social partners.

WHAT TO CHANGE POLICY PRIORITIES





→ RELEASE ENTREPRENEURIAL ENERGY



→ BOOST INNOVATION



→ UNLEASH THE INTERNAL MARKET OF 25+



→ IMPROVE THE FUNCTIONING OF THE LABOUR MARKET



→ MAKE ENVIRONMENTAL POLICY MORE EFFECTIVE
AND EFFICIENT



→ FOSTER INTERNATIONAL TRADE AND INVESTMENT

➤ RELEASE ENTREPRENEURIAL ENERGY

A raft of measures is needed to foster Europe's entrepreneurial spirit and support growth of SMEs, such as integrating entrepreneurship education in school curricula, reducing the overall tax burdens borne by companies, improving access to finance and ridding Europe's entrepreneurs of unnecessary administrative burdens.



▮ BOOST INNOVATION

Framework conditions in Europe, be they financial or regulatory, do not sufficiently support private investment in research and the transformation of research into marketable products. For example, European companies need more business-friendly state aid rules for R&D to encourage private investment, and they need to obtain cheap and easy protection of their intellectual property.

Despite the persistent failure to agree on a Community Patent in the Council, UNICE would like to reiterate that adoption of a Community Patent that meets users' needs in terms of quality, affordability and legal certainty is key for European business. In terms of cost and legal certainty, the single-language solution, English, for the Community Patent can certainly be recommended.

▮ UNLEASH THE INTERNAL MARKET OF 25+

The Internal Market is a cornerstone of Europe's prosperity. Therefore it is worrying that Internal Market trade has stalled lately. The Internal Market needs to be reinvigorated by further liberalising markets, by completing Trans-European Networks and by eliminating obstacles to cross-border provision of services. But the most pressing hindrance to cross-border business activities is the nonchalance of Member States in implementing Internal Market directives they have agreed on at EU level. At the highest and lowest levels of the EU regulatory establishment there needs to be a

reassessment of how the Internal Market is dealt with. The immense potential of the Internal Market of 25+ must be used by integrating the new Member States as quickly as possible, as well as facilitating business activities in countries that are candidates for the next enlargement. Moreover, in a globalised world it is necessary to act with common rules that stretch beyond our continent. Concerning International Financial Reporting Standards (IFRS, formerly IAS), convergence of US rules towards IFRS must be ensured if the EU wants to reap the full benefits of applying these international standards.

IMPROVE THE FUNCTIONING OF THE LABOUR MARKET

Employment is the best way to ensure cohesion. Heeding the report by the Wim Kok task force on employment “Jobs, Jobs, Jobs”, the European social policy agenda’s first priority is the creation of new jobs and integration of more people in labour markets rather than trying to protect activities which are no longer competitive or enhance the rights of those already at work. The enlarged Europe must concentrate on encouraging necessary labour market

reforms, adapting pension systems to demographic ageing, empowering individuals to adapt their skills throughout their working lives, encouraging companies to develop competences and ensuring that education and training systems respond to labour market needs. Social partners are well placed to find flexible solutions, reconciling economic and social needs of labour market players. The EU should allow the development of an autonomous social dialogue.

MAKE ENVIRONMENTAL POLICY MORE EFFECTIVE AND EFFICIENT

The environmental pillar of sustainable development is essential for the needs of future generations. But Europe needs a more effective and efficient environmental policy. Continuous revision of environmental rules creates uncertainty for companies, involving them in a costly race to meet new

requirements before they have even succeeded in complying with previous regulations. As climate change does not stop at the EU’s borders, globally concerted policies are the most appropriate remedy for environmental challenges.

FOSTER INTERNATIONAL TRADE AND INVESTMENT

Trade liberalisation brings tremendous economic benefits but also requires clear rules for long-term economic stability. The open, multilateral rules-based WTO system is therefore key to create equal treatment for both foreign and domestic companies and to prevent countries from adopting policies which disrupt world markets and contravene the

trading rules they have agreed to. EU trade policies should be geared to strengthening the multilateral trading system and allowing European companies to improve their presence in third-country markets and take full advantage of the market access opportunities offered by existing and future trade and investment agreements.

UNICE'S 10 KEY MESSAGES

1 The age of privilege has passed for Europe - today we must learn to run in the **GLOBAL RACE** or be overtaken by emerging economies

2 Policies need to be coordinated across the board in order to ensure that they all **FOCUS ON COMPETITIVENESS**

3 A committed **COMPETITIVENESS COMMISSIONER** backed up by a powerful **COMPETITIVENESS COUNCIL** will be the guardian of the Lisbon Strategy's success

4 Proposed **RULES NEED TO BE SCREENED** rigorously to weed out negative impacts on Europe's prosperity

5 Acceptance of reforms can be secured through a targeted **COMMUNICATION STRATEGY** explaining the benefits: growth, jobs and prosperity

6 A positive attitude to **ENTREPRENEURSHIP** and risk-taking can be taught, learnt and supported by conducive rules, paving the way to more innovation

7 Consolidation of an **INTERNAL MARKET** of 25 and more will be a springboard for reinvigorating what is one of Europe's greatest success stories

8 The need for Europe to reform its sclerotic **LABOUR MARKETS** is universally recognised - what are we waiting for?

9 The way forward for **ENVIRONMENTAL PROTECTION** is a healthy economy, which means profitable companies with resources to invest in research and innovation

10 **TRADE** oils the wheels of the global economy - the momentum towards lower barriers and clear rules must not be lost



ENTREPRENEURSHIP AND SME POLICY



“Today’s small businesses are tomorrow’s household names – don’t strangle them with red tape”

BACKGROUND

European entrepreneurial potential is largely untapped: if 47% of Europeans would like to be self-employed, only 17% actually take the “entrepreneurial leap”. In the US, entrepreneurs are twice as numerous. American start-ups are smaller than in Europe, but after two years more, and more stable, jobs are created. Dynamism needs to be injected into the creation of EU companies and existing companies, geared for growth.

There is a need to agree on the release of the EU’s entrepreneurial potential at European level: the European Commission’s Entrepreneurship Action Plan is a step in that direction. But for results to be delivered, Member States must agree on a firm political commitment to carry out the different parts of the Action Plan.

RECOMMENDATIONS

STREAMLINE POLICIES

Policy action for entrepreneurs and small and medium-sized enterprises (SMEs) needs a coherent approach in support of the competitiveness of enterprises: different policy documents should fall under a single framework and streamlined reporting arrangements.

DEVELOP ENTREPRENEURIAL EDUCATION

Integrating entrepreneurship education in all school curricula is an essential action needed to foster entrepreneurial mindsets among young people, the entrepreneurs of tomorrow. In particular it is necessary to heighten teachers' awareness of how an enterprise is run and the benefits to society.

REDUCE TAXATION

Reducing the overall tax burden on companies is of direct relevance to boosting entrepreneurship. Member States have a fundamental role to play in this area: taxation should be benchmarked in the Member States and in relevant competing third countries, and the performance of the Member States in reducing tax burdens should be followed up. Return on savings should improve through reduction of taxes on free capital for investment. Tax incentive schemes are also a good vehicle for encouraging individuals to invest in growing and new businesses.

FACILITATE ACCESS TO FINANCE

Access to finance is key to reduce barriers to the start-up and growth of businesses. Entrepreneurs need access to high-quality banking products, and expert financial consulting support and an efficiently functioning venture capital market with increased competition and completion of the single market for financial services.

CHANGE BANKRUPTCY LAWS

Severe penalties for failure can greatly impact on the willingness of entrepreneurs to take risks, thus barriers to exit from markets caused by high penalties associated with failure should be reduced.

BETTER AND SIMPLIFIED REGULATION FOR SMEs

The high administrative burden on business diverts resources from productive investments and discourages entrepreneurship. Cumbersome regulation is clearly linked with lower productivity. In general SMEs have less capacity to handle all the legislation due to limited resources. The proportionate cost for a small company to comply with regulation is, as a consequence, nearly six times higher than for a medium-sized or large company. SME use of eGovernment is a way to reduce compliance costs for SMEs and should be promoted. Actions taken with a particular impact on SMEs should be "SME-proofed" through impact assessments and consultation with business organisations.

RESEARCH AND TECHNOLOGICAL INNOVATION



“Man’s inventiveness knows no bounds -
it must be harnessed and not shackled”

BACKGROUND

Europe is proving not to be as competitive at innovation as it needs to be in order to reach the 2010 Lisbon goals. General framework conditions, be they financial or regulatory, do not sufficiently support private investment in research and the transfer of research into commercially successful innovation.

There is no doubt that research and development (R&D) creates added economic value and jobs. Successful research and innovation could quite possibly make the largest contribution towards improving Europe’s competitiveness.

Substantial efforts should be made to narrow gaps existing between EU Member States, particularly new members, in terms of R&D intensity and the potential for industrial innovation. This objective requires proper adjustments in domestic policies of the countries concerned, further encouragement for intra-EU foreign direct investment and technology flows and continued assistance from Community sources.

It is important to support new cutting-edge technologies such as biotech, nanotechnology, food technology or environmental technology. Companies are ready to invest in R&D but it is necessary for governments to reduce obstacles such as taxes, and to create fiscal incentives.

RECOMMENDATIONS

INCREASE R&D BUDGETS

To increase R&D expenditure from the current level of 1.9% of GDP to the Barcelona goal of 3% within the lifetime of the next financial perspectives, an annual increase in Member States' and Community R&D expenditure of the order of 6.5% is required. This can only be achieved if adequate funding is diverted from other budget streams and not just redistributed from other R&D initiatives.

ENCOURAGE BETTER COORDINATED RESEARCH

EU Member States and European Commission need to be more focused on coordination between the 26 research policies with the aim of higher efficiency and avoiding unnecessary duplication. Opportunities for synergies should be explored and prioritised and turned into concrete steps forward, e.g. building on to existing schemes that open up national schemes to cross-border collaborations.

REVISE STATE AID RULES FOR R&D

Existing regulations for R&D state aid should be improved and simplified by abolishing the distinction between industrial research and pre-competitive development. There needs to be more flexibility in the decision-making process that disqualifies state aid for R&D projects that fall within a firm's "core business" or which have a clear market potential. Cooperation between industry and universities should not be hindered by these rules, as is presently the case.

BALANCE PUBLIC POLICY IN FAVOUR OF BASIC AND APPLIED RESEARCH

Applied research and industrial R&D have a more direct role to play in Europe's economic competitiveness than basic research. Most basic research should be conducted in accordance with clear strategic objectives corresponding to the goals pursued by society and industry, e.g. fighting diseases, future energy, environment, etc; and has to demonstrate its potential to become relevant to European economic, industrial and societal needs.

IMPROVE MANAGEMENT PRINCIPLES AND PROCEDURES OF THE FRAMEWORK PROGRAMMES

The Seventh Framework Programme (FP7) should correct the deficits of the Sixth Framework Programme (FP6) by defining a framework programme that is much more focused on strengthening European competitiveness. In FP6, industry participation has declined, particularly that of small and medium-sized enterprises (SMEs), which constitute the majority of European business. Overlong time differentiation between calling for tenders and contracting, the systematic reduction of available budgets for projects, over-subscription, evaluating procedures that are inconsistent and to a large extent lack emphasis on scientific excellence and instruments which are unsuitable for industrial partners, etc., all contributed to a less than positive view of the current framework programme. FP7 needs to be more sufficiently aligned on what European industry and companies need than its predecessor and should adequately respond to society's needs. In particular, it is important to allow for an increased share of smaller projects, in order to strengthen SME participation.

CREATE TOP QUALITY HUMAN RESOURCES

European and national governments need to make a greater effort towards making the research and innovative climate in Europe conducive both to encouraging students to choose scientific paths at university and for graduates to continue their careers and excel in the scientific field.

INTELLECTUAL PROPERTY



“Allow innovation to flourish thanks to effective protection of intellectual property rights”

BACKGROUND

A strong and comprehensive system of protection for intellectual property rights is key to boost innovation and research and development (R&D) in Europe.

The level of investment in R&D has a direct link with an affordable system of protection for intellectual property rights. The US and Japan have established this link in relation to both private and public investment. However, in Europe the cost of protection remains extremely high compared with the US and Japan, to the detriment of European business and in particular small and medium-sized enterprises (SMEs). What matters for companies and especially SMEs is to obtain as cheap and as easy protection for their inventions as their Japanese and US competitors.

RECOMMENDATIONS

BOOST COMMUNITY TOOLS TO SUPPORT EU INNOVATION

Users need instruments that enable them to protect effectively and at low cost the fruit of their R&D activities. Intellectual and industrial property protection is crucial for European business competitiveness. Adoption of a Community Patent that meets users' needs in terms of quality, affordability and legal certainty is key for European business.

In addition, European business needs a directive on the patentability of computer-implemented inventions that ensures a protection in line with current European patent practice and with the EU's obligations under the Trade-Related Aspects of Intellectual Property Rights (TRIPs) agreement adopted under the auspices of the World Trade Organisation (WTO).

The well-functioning of the Community Trademark and the Community Design systems should be further improved.

ENSURE A STRONG AND EFFECTIVE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

In recent years, the growing scale of counterfeiting and piracy has been posing a critical challenge to the interests of European companies that will need to be addressed in a global framework. Any type of product protected by an intellectual property right in the market is today a target for counterfeiters. This is a problem that is having a large impact on consumer and product safety, the integrity and value of intellectual property, ability to create and maintain employment opportunities and on innovation in general.

The recent adoption of the EU Enforcement directive is a step in the right direction towards an adequate system of enforcement of intellectual property rights. The Enforcement directive needs to be implemented in the EU Member States speedily and effectively, bearing in mind in particular the epidemic proportions of counterfeiting and piracy in the new Member States.

EFFICIENTLY IMPLEMENT THE TRIPs AGREEMENT AT A WORLDWIDE LEVEL

Strengthening intellectual property protection at an international level also requires effective and timely implementation of the TRIPs agreement. The TRIPs agreement provides the minimum standards for intellectual property protection and aims at guaranteeing a worldwide level playing field for the protection of intellectual property necessary to reduce distortions and impediments to international trade.

The new EU institutions should focus their action on assisting the World Intellectual Property Organisation (WIPO) and the WTO with their efforts to provide technical assistance to developing and least developed countries with implementation of the TRIPs agreement.

INFORMATION SOCIETY AND INFORMATION AND COMMUNICATION NETWORKS



“Information technology opens up bright horizons”

BACKGROUND

The use of Information and Communication Technology (ICT) and efficient functioning of the related infrastructure is at the core of making the EU a more competitive knowledge-based society. Increased use of ICT enhances productivity and decreases the cost of information flows and compliance cost of administrative regulations.

The Lisbon Strategy has placed information society issues at the top of the agenda. The strategy included drawing up an eEurope Action Plan, adopting a legal framework for electronic commerce, completing the new regulatory framework for the telecommunications industry and liberalising telecommunications markets, ensuring rapid expansion of Internet and its applications as well as needed skills in schools and public services, together with developing high-speed interconnected networks for Internet access. Progress has been achieved in many of these areas at both the EU and national levels, but still the work is far from complete. European telecommunications markets are not fully liberalised, implementation of the telecommunications package is still incomplete, infrastructure development requires ongoing attention to the legal and financial conditions, and development of essential digital content and services depends on both private and public stakeholders.

Although many European countries compare well in global studies, the EU average is still lagging behind the world leaders. Unexploited potential remains in this area to give a substantial boost to European competitiveness, productivity and innovation. In addition new challenges have emerged. Most notably, network and information security has become a serious issue and electronic communication is threatened by mushrooming unsolicited e-mails or spam.

RECOMMENDATIONS

IMPLEMENTATION OF THE TELECOMMUNICATIONS PACKAGE

The telecommunications package should have been implemented by 24 July 2003 (data protection directive by 31 October 2003). The Commission has been following the implementation and taking legal steps against those Member States that have not yet implemented the package. Pressure on these Member States must be maintained and prevail. Member States and national regulators lagging behind must commit themselves to transparent, consistent and harmonised implementation of the package without further delay. The present regulatory framework across the EU is a very important element in furthering the single market in electronic communications networks and services, encouraging competition in this market, creating benefits for end users, and consequently strengthening European competitiveness.

COMBAT NETWORK AND INFORMATION SECURITY PROBLEMS

The security of information infrastructures and computer-related crime is increasingly a major problem touching businesses, administrations and individuals alike. For ICT users it is essential that this computer-related crime is tackled, where possible in an internationally harmonised way, and that enforcement of legislation is vigorously pursued thereby demonstrating that such crime does not pay. The problem has been acknowledged by the Commission in numerous communications and recommendations, as well as by establishing the European Network and Information Security Agency. The Commission should create a common environment where public and private sectors can work together to protect their information and information systems, taking into account the increasingly fast changes in technology without imposing inappropriate administrative or financial burdens. The Agency should be made operational as soon as possible. Business involvement in the operations of the Agency should be ensured in order to draw on the expertise of the European users and suppliers of security products and services.

FOLLOW-UP e-EUROPE 2005

The e-Europe 2005 Action Plan addresses three key issues in building the European knowledge society: digital content, necessary infrastructure and security. The Action Plan has been boosting information society development across the EU by imposing positive competition among the Member States. The security issue does and will require additional and new measures in future. In particular law enforcement in this field should improve. In addition, the EU should strive to ensure successful 3G deployment and remove obstacles to roll-out of the 3G mobile networks. All new regulations and directives should be technology-neutral and support digital convergence in order to leave room for technological change and usage of a multitude of channels for content and services. The Action Plan is nearing the end of its term and continuation of the programme should be considered in order to evaluate the present situation and determine the priority areas for action in the coming years.

FREE MOVEMENT OF GOODS, SERVICES, CAPITAL AND PERSONS



“The Internal Market is probably the most obvious success story of the European adventure”

BACKGROUND

The importance of a well-functioning Internal Market with free circulation of goods, services, capital and persons through the entire European Economic Area cannot be stressed enough. This importance is further highlighted by the present expansion of the Internal Market following the enlargement of the Union. However, as with every success story, in order for that success to be maintained, constant attention and the ability to adapt to change are required. It is evident that existing legislation and European Court of Justice jurisprudence have not been sufficient to guarantee companies the right to benefit fully from the Internal Market. There is a great need to reduce intensive administrative burdens and the resources wasted on meeting them, particularly for small and medium-sized enterprises (SMEs).

RECOMMENDATIONS

BETTER REGULATION OF PRODUCT REQUIREMENTS

It is necessary that new legislation is based on a stronger, more efficient, less quantitative regulatory vision for the EU, which in turn is based on a comprehensive set of principles developed in order to avoid different methods and conflicting product requirements. Entities within the EU institutions and Member States dealing with Internal Market and trade matters need to be more directly involved in the process of making product regulation. Furthermore, national regulations should be subject to an Internal Market compatibility test.

COMMIT TO CROSS-BORDER COOPERATION

Regular communication and efficient cross-border cooperation will ensure a common interpretation and level of enforcement. Clearer communication between those making policy and those implementing it is one of the key requirements for ensuring full use of the tools that exist.

STRENGTHEN THE CE MARK

CE marking is the politically agreed passport to the Internal Market. A manufacturer puts the mark on his products, thereby declaring that the product fulfils all the requirements in the relevant EU legislation. There is a need to clarify and promote the meaning of CE marking to consumers and producers. The meaning of CE marking is not sufficiently understood which results in confusion (and undermines trust).

RAISE AWARENESS OF OPPORTUNITIES, RIGHTS AND DUTIES

The Internal Market is one of the pillars of the European Union as a means of ensuring public backing for the European vision. All stakeholders have a responsibility to help make the Internal Market function. To do this they need to be made aware by Member States of the opportunities, rights and duties that it confers.

MAKE FULL USE OF THE NEW APPROACH

A future vision for regulating product requirements is needed. Business believes that the principles of New Approach should become the key principles for all regulatory activities affecting products. Business calls for a much stronger regulatory vision for the EU, based on a comprehensive set of principles in order to avoid different methods and conflicting product requirements. This includes expanding application of the New Approach as a regulatory model into other areas where product requirements and the free movement of goods are affected – e.g. the environmental area.

PROMOTE THE INTERNAL MARKET FOR SERVICES

A strong services sector is crucial for the competitiveness of Europe's companies. The Commission's intention to promote cross-border trade and establishment in the Internal Market for services will benefit providers and users of services alike. Users of services would benefit from greater transparency and comparability between the services offered by different providers. Member States need to identify and eliminate national regulations that serve as barriers and ensure that remaining requirements for providers and users do not discriminate against companies from other Member States. Applying the country-of-origin principle, bolstered by increased cooperation between national authorities, constitutes the right approach to promoting the Internal Market in services. Where this approach does not lead to fair competition among providers from different Member States, the need for harmonised national regulations concerning access to the provision of services might have to be evaluated.

CORPORATE ISSUES



“Flesh out the Internal Market with corporate mobility”

BACKGROUND

A better corporate framework for companies is key to ensure and strengthen their competitiveness in an increasingly globalised environment. Since its creation in 1992, the Internal Market has not yet been completed for companies and there are still barriers to their free mobility within the European Union.

The new EU institutions will have to concentrate on measures that contribute to developing a competitive corporate legal framework and remove obstacles to cross-border business integration. It is time to deliver on the promise of the Internal Market to banish borders in Europe and let companies operate cross-border, and thus increase European growth.

RECOMMENDATIONS

SET UP A COMPANY LAW FRAMEWORK WHICH FOSTERS COMPETITIVENESS

An effective Internal Market in the area of company law is still seriously lacking in Europe. In this context, the Commission's 21 May 2003 Action Plan on *Modernising Company Law and Enhancing Corporate Governance* is appreciated by European business as a political commitment and fresh impetus to meeting companies' needs in this area.

Although business appreciates that one of the objectives of the Action Plan is "to foster the global efficiency and competitiveness of businesses", it appears that Commission initiatives implementing the Action Plan so far have sidelined this objective. It is essential that EU institutions put it back on track.

UNICE priorities in the area of company law are first and foremost cross-border issues such as cross-border voting, and elimination of mobility constraints on companies within the single market. Concerning cross-border mergers and transfer of the seat of companies, respectively the so-called 10th and 14th directives, proposals must ensure that worker participation models, unknown in certain Member States, are not exported throughout the EU. Further actions are needed to ensure better attractiveness of the European company statute.

ALLOW COMPANIES TO COMPETE AND BE COMPETITIVE

A Community competition policy that takes account of the requirements of a modern economy is of vital importance for the competitiveness of European business. Companies should be able to compete with each other on a level playing field and develop the capabilities which drive their long-term success, such as the ability to innovate, develop and exploit new products, to make structural adjustments, and to enter into cooperation agreements with certainty of their legal status and effects.

A legal environment that helps companies to develop these capabilities is needed. The integrity of the Internal Market should be maintained by actively pursuing uniform and predictable application of competition rules. Strict control of state aid, on the basis of clearly defined criteria, should be ensured to prevent distortions of competition.

NEED FOR A LEVEL PLAYING FIELD FOR ACCOUNTING STANDARDS

The EU has decided to use International Financial Reporting Standards (IFRS, formerly IAS) by 2005. This should be a single set of rules that all EU companies listed on regulated markets will have to use for their consolidated financial statements.

The final objective of this move is that all other countries in the world use IFRS. Companies would then only have to use one set of accounting standards to be listed on any stock market. It would also make readability of financial statements easier because based on one single rule across the globe.

Nevertheless, this is not the case for the time being. The USA and other countries in the world still use different reporting standards. Unless they switch to IFRS, companies wanting to be listed on different stock markets around the globe will have to prepare different sets of financial statements, based on different rules. This will represent a heavy burden on business.

It is therefore indispensable that the EU works with the USA to join forces and make the necessary arrangements to attain convergence. In its capacity of founding father, UNICE participates in the work of EFRAG, the European Financial Reporting Advisory Group, which provides technical advice to the European Commission.

CONSUMER POLICY



“Well-informed and responsible consumers are good news for companies”

BACKGROUND

A healthy economy with competitive companies is highly dependent on consumer confidence and satisfaction. The market does not work if consumers do not feel confident to shop. This is why companies do their best to meet consumers' needs and expectations. Enlargement of the EU offers new opportunities and challenges to both business and consumers in an environment characterised by constant evolution, greater use of new technologies and globalisation.

To realise the full potential of the Internal Market the necessary conditions must be in place. A sound and balanced consumer policy can be an enabler for that objective through promotion of entrepreneurship and growth while securing an adequate high level of consumer protection.

RECOMMENDATIONS

SIMPLIFY REGULATION

UNICE supports the Commission's approach seeking further harmonisation, where appropriate, of national consumer laws to improve the Internal Market. This will result in increased legal certainty, a more common level of consumer protection and less regulatory burden. Consumer choice and competitiveness of companies will augment to the benefit of consumers and businesses who will feel more confident to trade across frontiers.

ENFORCE EXISTING RULES EFFECTIVELY AND EVENLY

Disparate enforcement of consumer protection rules between national jurisdictions may lead to distortions of competition and undermine confidence of market players. This is of paramount importance in an enlarged EU. EU authorities should do the utmost to ensure that new countries enforce the *acquis communautaire* correctly and effectively.

PROMOTE VOLUNTARY CODES OF CONDUCT

Consumer protection is an area where self-regulation and co-regulation can offer a more suitable alternative to traditional legislation. Codes of conduct have proved valuable and innovative tools to enhance responsible business self-discipline and to offer added value for consumers in a fast-changing market. Effective codes of conduct must be voluntary, flexible, and transparent, and should be coupled with appropriate review, monitoring and enforcement mechanisms.

PROMOTE INFORMAL DIALOGUE BETWEEN BUSINESS AND CONSUMERS

UNICE encourages public authorities to facilitate and promote dialogue between business and consumer organisations at EU level. Such a culture of dialogue will help mutual understanding, reduction of confrontation, sharing of expertise and will pave the way for further dialogue and productive debate. This dialogue can be articulated in different ways: a consumer/business exchange day, workshops, seminars, expert groups, etc.

IMPROVE CONSUMER INFORMATION AND EDUCATION

In addition to the initiatives led by companies and consumer organisations, EU and national authorities should invest more in education and information campaigns from school onwards making use of modern technologies and online educational tools. Well-informed and responsible consumers are good news for companies.

BETTER CONSUMER DATA, STATISTICS AND KNOWLEDGE

More efforts are needed to streamline collection, use and assessment of meaningful information on consumer patterns and attitudes. Better cooperation and exchange of experiences between existing sources should be ensured and procedures harmonised. Accuracy and representativeness of data is central if information collected is to serve as a basis for policy proposals.

PUBLIC PROCUREMENT



“Secure the most competitive bid”

BACKGROUND

Pan-European integration of public procurement markets is a key step in pursuit of the Lisbon objectives. With an annual turnover volume of €1,500 billion or 16% of the European Union’s annual GDP, it is clearly one of the “super markets” including a wide range of high-tech products, which are vital to the economic health of Europe and its position on world markets.

The new legislative package, which was adopted by the Council of the EU on 2 February 2004, could contribute to making public procurement the engine for dynamic development of the EU economy. Achieving these objectives requires the following steps to be taken:

RECOMMENDATIONS

ENSURE ECONOMIC EFFICIENCY

Competition for the most economically advantageous bid is vital; it must be the yardstick for public procurement. Public procurement must not be used for other purposes than those inherently connected with the procurement itself. This allows for social and environmental criteria directly linked to the object of the contract to be taken into consideration in accordance with established practice of the Court.

SUBJECT PUBLIC CONTRACTS TO THE DIRECTIVES

The award of public contracts to entities owned by public authorities without their being subject to the directives is irreconcilable with the aim of fully opening the market to competitive bidding. They must therefore be restricted to cases where supplies or services are required which are not available on the markets and thus where a public tender would elicit no credible response.

SUPPORT PUBLIC PRIVATE PARTNERSHIPS

Public Private Partnerships are an innovative element for an efficient, future-oriented structure to cover the demand of public authorities. Initiatives to promote Public Private Partnerships are therefore required.

PROMOTE e-PROCUREMENT

The introduction of electronic procurement is important for the EU to remain competitive in the markets of the future. The EU must therefore adopt the necessary legal, organisational and technical measures to ensure that e-procurement does not founder on an inadequate legal basis or on technical standards which are incompatible with commercial practice, or on organisational procedures which leave the process open to abuse. An Action Plan on e-Procurement completing the framework rules of the legislative package is therefore required.

ENCOURAGE SME PARTICIPATION

EU procurement regulations need to be clarified and improved to provide more opportunities for small and medium-sized enterprises (SMEs) so as to bring their capacity for innovation into the public procurement market. Although global competitiveness usually brings to mind large multinationals, a strong infrastructure of smaller specialised companies with world-class capabilities is vital to Europe's economic strength.

TRAIN PUBLIC AUTHORITIES AND SUPPLIERS

One of the major problems for the application of EU public procurement rules is a lack of knowledge and experience. It is therefore necessary to develop and implement training measures for the staff of public authorities and suppliers. The Commission should therefore work out an agenda in cooperation with the Member States and provide the necessary funds for the efficient training required.

EUROPEAN TRANSPORT POLICY



“Europe needs an integrated transport network which allows movement at reasonable cost”

BACKGROUND

The original *raison d'être* for the European transport policy was to facilitate trade, enhance regional growth and support economies of scale. Industry firmly believes that this thinking is as relevant today as it was when it was first defined – if not more relevant in a European Union of 25 and more members. It is therefore necessary to emphasise that this *raison d'être* above all else should influence the actions of both the European Parliament and the European Commission in the coming five years. Not to do so risks the possibility that European transport policy will lose its focus and, rather than contributing to bringing the Union closer together, could have an opposite effect.

RECOMMENDATIONS

BOOST TRANS-EUROPEAN TRANSPORT NETWORKS

The trans-European transport networks are a vital cog in the transport system envisaged for Europe. The contribution to further market integration, enlargement and international trade liberalisation that the networks make mean that they should continue to be a priority issue in the coming five years. European institutions need to cooperate to ensure that during this period constructive progress is made towards their eventual realisation. This requires increased cross-border cooperation, the introduction of legislation which will encourage more private sector involvement in the projects, a serious effort to ensure that construction targets are on track to be met and a realistic vision of the roles which road, rail and water-borne transport have to play in Europe's future development.

HANDLE INFRASTRUCTURE CHARGING WITH CARE

Infrastructure charging is a policy tool that could under certain conditions contribute to financing of new transport infrastructure. Financing the transport networks and other projects in this way is however only realistic if it is based on a rational interpretation of the "user pays" principle (including a full impact assessment of the potentially negative consequences to European competitiveness of the incessant widening of the gap in transport costs between Europe and its competitors in the United States and Asia) and if revenue raised is earmarked solely for the maintenance of existing, and construction of new transport infrastructure. The European Council has also twice called on the Commission to solve the problem of the "Eurovignette". This 'problem' has yet to be solved and until genuine "user pays" charging of vehicles for the use of Europe's transport infrastructure comes into force the notion of using infrastructure charging as a means of maintaining, upgrading and building Europe's transport infrastructure will not be a success.

STEP UP LIBERALISATION

The continued liberalisation and development of sustainability in the services that operate as Europe's transport system is one of the most important ongoing complementary actions to the development of the trans-European networks that has to be continued and indeed stepped up a pace. Having first-class transport infrastructure is nowhere near enough unless there are well-functioning and competitive transport services to operate on it. Action in support of liberalisation has in recent years seen, for instance, railways become more competitive, however much yet remains to be done. For example the liberalisation of railway passenger services needs to be swiftly concluded, revised proposals to liberalise port services need to be reintroduced, the review of the block exemption for the liner conference needs to be seen through to its logical conclusion and the ongoing development of European aviation policy needs to be sustainable. The European institutions need to prioritise this basic requirement in future initiatives in the transport sector.

CHALLENGES IN LIBERALISING ELECTRICITY AND GAS MARKETS



“Access at a competitive price with cost-efficient control of the environmental impact”

BACKGROUND

European energy policy must coordinate and optimise progress towards three objectives:

First, enable European consumers to have the widest possible access to available energy sources, in geographical terms as well as in terms of access to technologies.

Second, establish dynamic, intra- and inter-sectoral competition between energy sources, allowing consumers to enjoy the most competitive prices possible.

Third, control the environmental impact of energy production and use through policies reflecting a sustainable development vision.

Policies geared to these three objectives must be mutually reinforcing.

RECOMMENDATIONS

FOSTER REAL COMPETITION

Tribute must be paid to the liberalisation process initiated by the Commission. Nevertheless, there are very marked differences in the speed and degree of implementation of EU liberalisation legislation. National markets continue to dominate and competition does not yet play its role to the full. National regulatory authorities should work more actively to ensure compliance with European directives and national legislation. They should cooperate with each other and with the European Commission. UNICE calls on the Commission to intervene to ensure that Member States apply the liberalisation legislation properly. Companies are concerned that the benefits of liberalisation could be negated by additional taxation, new constraints on network operators (disproportionate public service obligations) or exaggerated support for renewables. A more consistent, more cost-effective and more investor-friendly regulatory environment is needed to allow energy users to reap the benefits of liberalisation, and the energy industry to continue to develop.

ENSURE LEGAL UNBUNDLING

Effective unbundling has rightly been given a central position in EU liberalisation policy. The Commission must demonstrate the greatest rigour in the assessment it will have to carry out in 2005 concerning national implementing measures for the 2003 European liberalisation directives. As regards gas, UNICE urges strengthening the process of harmonising the procedures of European TSOs (transmission system operators) with regard to non-discriminatory and transparent access to storage; transfer of gas between different TSOs; booking capacity; congestion management and balancing mechanism.

DEVELOP CROSS-BORDER LINKS

The Commission should take actions in view of stimulating rapid creation of interconnections and cross-border links between the various countries. Complicated, non-transparent or non-cost-reflective pricing structures for cross-border transport of energy must be overhauled, as these dissuade foreign operators from adding to the service offer. Concerning gas, insufficient infrastructure capacity, including interconnectors between the Member States, impedes the development of an internal European gas market. The flow in the existing gas network is limited and interconnectors are not used adequately. This is mainly due to non-transparent procedures for estimation of available capacity and lack of a mechanism for release of ordered, but non-used capacity, stimulated by different balancing standards for cross-border gas transport.

FOSTER BILATERAL CONTRACTS IN ELECTRICITY

The possibility of negotiating innovative commercial contracts was one of the main reasons for promoting liberalisation of trade in electricity. It can be observed that price formation mechanisms in some EU countries leave very little or no room at all for bilateral negotiations between producers and consumers. It is important for the Commission to put in place a framework which allows such genuine bilateral negotiations, which are an essential factor for creating real competition between producers.

OVERCOME PARTICULAR OBSTACLES TO THE LIBERALISATION OF GAS MARKETS

Significant obstacles remain to the entry of new market players and to industrial customers really benefiting from competition. Liberalisation has progressed less for gas than for electricity. The Commission should push for timely and harmonised implementation of the 2003 liberalisation directive and secure the installation of really independent regulators in all countries. The Madrid Process should be strengthened and used intensively for further development of rules governing the gas market.

EMPLOYMENT AND SOCIAL AFFAIRS



“Europe is the most social continent in the world, let’s make that sustainable”

BACKGROUND

The European social policy agenda can contribute to increasing competitiveness and employment in Europe if it focuses on measures to promote the creation of new jobs and integrate more people in labour markets rather than trying to protect activities of the past or enhance the rights of those already in work.

Europe is already the most social area in the world. A moratorium on new social legislation at the EU level is required. With only five years left to reach the Lisbon goal of raising employment rates to 70% by 2010, the EU should concentrate on helping the ten new Member States to implement the existing legal acquis properly and encouraging all 25 EU countries to introduce the labour market reforms foreseen in the European employment strategy and to adapt social protection, in particular pension systems, to demographic ageing.

RECOMMENDATIONS

IMPLEMENT THE EUROPEAN EMPLOYMENT STRATEGY

Employment promotion must remain the first priority. The EU should fully recognise that labour market flexibility is in the interest of both companies and workers and focus on effective implementation of the recommendations of the report by the task force on employment chaired by Wim Kok.

RESPECT THE AUTONOMY OF THE SOCIAL DIALOGUE

Social partners are well placed to find flexible solutions reconciling economic and social needs of labour market players. Respecting the autonomy of the social dialogue is essential to allow social partners to make their contribution to implementation of the Lisbon Strategy.

At the EU level, a multi-annual work programme for the social dialogue has been developed. It uses different tools depending on the subject: legally binding agreements for parental leave, part-time work or fixed term contracts, frameworks of actions for lifelong learning or gender equality, non-legally binding agreements for telework or work-related stress, joint reports on employment, etc.

Social partners in the ten new Member States are making huge efforts to participate in the work programme of the EU social dialogue. Without trying to impose a specific model of industrial relations, the EU should develop a structured programme of technical assistance to support them.

ENCOURAGE PENSION REFORM

In 2005, Member States will be invited to update their national strategies for pension reform and the EU will review its common objectives in this field. Despite the positive steps taken in some countries, financial sustainability of pensions is far from being ensured and early exit from the labour market remains too widespread.

Respecting the fact that the organisation of pensions is a national responsibility, the EU should intensify the impetus for reforms and pursue the monitoring of Member States' efforts to address the impact of demographic ageing on pension sustainability.

SKILLS AND COMPETENCES



“It is about turning learning and competence into more jobs”

BACKGROUND

Today's economies and societies are characterised by constant change. To remain competitive, companies need an adaptable workforce with a high level of competences. To preserve their employability, individuals need to upgrade their skills regularly.

A strong and well-educated workforce is one of the main assets of the EU and yet skills shortages and mismatches co-exist with unemployment in Europe.

In 2002, in their framework of actions, the European social partners proposed a new approach to lifelong learning. It aimed at empowering individuals to adapt their skills throughout their working lives, encouraging companies to develop competences, ensuring that education and training systems respond to labour market needs. The EU must continue to focus on these three priority key tasks.

RECOMMENDATIONS

EMPOWER INDIVIDUALS TO ADAPT THEIR SKILLS

Empowering individuals to adapt their skills throughout their working lives implies giving them a solid basis for continuous learning through initial education and encouraging them to upgrade their skills regularly. The answer does not lie in creating rights to continuous training but in finding the best way to motivate people to invest time and effort in learning. The EU can play a useful role in organising structured exchanges of experience.

ENCOURAGE COMPANIES TO DEVELOP COMPETENCES

For a company, developing competences means identifying available skills, defining ways to enhance them and mobilising them more efficiently. In the process of competence development, informal learning is as important as formal training, if not more so. In order to encourage companies to invest in competences, the EU should take this new reality into account when devising policies to modernise education and training.

ENSURE THAT EDUCATION AND TRAINING SYSTEMS RESPOND TO LABOUR MARKET NEEDS

Shortages in advanced managerial skills and science and technology require priority attention because they create bottlenecks for economic and employment growth in Europe.

Internationalisation of markets enhances the importance of studying abroad. Diversity in Europe constitutes an in-built competitive advantage. The EU should make full use of it and give priority to implementation of the Bologna process in order to make diplomas and degrees comparable and facilitate student mobility. European companies also see in the Bologna process an opportunity for involving business more closely in shaping the curricula of higher education to ensure that they respond better to labour market needs.

REACH

REGISTRATION, EVALUATION AND AUTHORISATION OF CHEMICALS



“Producers and downstream users of substances risk losing market leadership”

BACKGROUND

On 29 October 2003, the European Commission adopted a proposal for a new EU regulatory framework for chemicals. Under the new system called REACH (Registration, Evaluation and Authorisation of Chemicals), enterprises that manufacture, use or import more than one tonne of a chemical substance per year would be required to register it in a central database.

REACH would replace the current corpus of chemical legislation, composed of close to 40 legislative acts, which is complex and needs to be simplified. REACH will have a strong impact on European industry in general, going far beyond the chemicals industry, given that all products are manufactured on the basis of complex and continuously changing combinations of chemical substances. It is therefore crucial to assess the consequences on the entire economy by carrying out a careful analysis of all the commercial, social and environmental parameters before defining the tools for implementation of a REACH system. That analysis should take account of both upstream supplies of raw materials and downstream uses of substances.

In the current proposal, the main threats the REACH system poses for business are: first, cessation of production of less profitable chemicals, which might be withdrawn from the market because of high compliance costs. Second, limitation of choice and therefore less negotiation power and severe consequences for downstream users - they would either have to bear the costs of finding substitutes and re-formulating their products or, if no substitutes can be found, their activities might be under threat. Third, reduced access to basic raw materials imported by EU industry. Fourth, less investments in the EU and relocation to regions outside the EU due to this situation of uncertainty and reduced access to raw materials.

RECOMMENDATIONS

RECOGNISE THE NEED FOR FURTHER WORK ON IMPACT ASSESSMENT

European business considers that the situation has not yet been properly analysed. The REACH system should be developed in a way that does not penalise the EU as compared with its international competitors. As REACH will have significant effects not only on the chemicals industry, the full impact on industry should be properly evaluated.

It is essential to assess the consequences of REACH for Europe's competitiveness and its capacity for innovation, which are key for prosperity and job creation, as well as the impact of REACH on international trade and investment in the EU. In this context, UNICE is committed to further work on impact assessment which has been launched together with other stakeholders and the European Commission. European business strongly believes that the conclusions of this work, which will be available by the end of 2004, must be taken into account when decisions are taken on the subject.

PRIORITISE ACCORDING TO RISK

The current volume-based approach should be replaced by a risk-based approach. Testing requirements should be exposure-driven: clear and straightforward exposure categories should be developed in this respect.

AVOID DUPLICATION OF REQUIREMENTS

The REACH proposal lacks coherence with special legislation. The proposal should avoid the duplication of requirements. REACH provisions should not be applicable where special pieces of legislation already provide for a sufficient level of protection.

SUBSTANCES IN ARTICLES

The proposal would have severe impacts on international trade as producers outside the EU do not have to bear the burdens it imposes. The title on substances in articles is totally impractical and should therefore be amended.

CENTRALISED DECISION-MAKING, ENHANCED LEGAL CERTAINTY FOR REGISTERED USES OF SUBSTANCES

The Central Agency should have responsibility for full and sole decision-making on all aspects of registration as well as dossier and substance evaluation.

EU CLIMATE CHANGE POLICY



“Innovative strategies needed
to relaunch global efforts”

BACKGROUND

Climate change is a global problem which calls for global cooperation. This is necessary from both environmental and economic perspectives. European industry has made a major contribution to combating climate change and is highly mobilised on this objective. However, appropriate framework conditions are necessary so that this contribution can be pursued on a sustainable basis.

In developing climate policy, the Commission and Member States must take into account that, if all major trading partners are not operating under the same rules developed at international level, this is tantamount to imposing a substantial penalty on companies in those countries which are applying these rules, harming their competitiveness and hence their capacity to contribute to social and environmental progress. It follows that, if Russia or the USA do not ratify Kyoto, then a new model for international cooperation will be required, designed to ensure tangible participation of all countries including Russia, the USA, developing and threshold countries, notably China and India.

RECOMMENDATIONS

EVALUATE NATIONAL ALLOCATIONS PLANS (NAPs) KEEPING IN MIND EUROPE'S COMPETITIVENESS

Regarding the EU emissions trading scheme (ETS), the Commission must evaluate the NAPs taking due account of protecting the international competitiveness of European businesses. Given the current status of the European power market where prices are partially set on the basis of marginal production cost, it is necessary for the European authorities to evaluate the real impact of the ETS on the price of electricity and take measures to avoid price increases which do not reflect the average carbon intensity of electricity production.

URGENT NEED TO REVISE CURRENT EU POLICIES AND MEASURES

The fact that a new international cooperation regime is inevitable if Russia or the USA does not ratify the Kyoto Protocol must prompt the EU to reconsider the policies it is currently deploying in line with the Kyoto model.

Unilateral action by the EU to achieve the Kyoto objectives can only reduce global emissions of greenhouse gases by 1% by 2012. It would have negative environmental effects (decrease in resources available to European enterprises to innovate and to invest in greenhouse gas control technologies, relocation of industry to countries with lower environmental standards/energy efficiency levels and increased need for transport of goods imported into Europe from relocated plants). A continued European "going it alone" policy will also be detrimental in economic terms (reduction of Europe's competitiveness and of its attractiveness as a place to invest). A revised EU strategy needs to be designed to give an answer to the question of how negative impacts on EU industrial competitiveness can be avoided in case of non-ratification by the major economic areas, whilst promoting climate protection.

To facilitate this re-design, the Commission should immediately launch a review of all EU climate-change-linked policies (emissions trading, energy, transport, etc.) concerning the period 2008-2012, aimed at assessing their impact on European competitiveness in the case of continuing implementation of Kyoto without participation of the major economic areas. On the basis of this preparatory work, UNICE urges the European Council to hold a major discussion on the EU's emission reduction strategy based on the Kyoto targets at its spring session in 2005.

DEVELOP A LONG-TERM EU STRATEGY (POST-2012) BASED ON JOINT GLOBAL EFFORTS

The EU must play a proactive role in discussions on a new international model for cooperation. All possible solutions that will result in achieving comprehensive international cooperation must be carefully evaluated. Such solutions include: an efficient global emissions trading market; setting of emissions objectives at sectoral level (energy efficiency targets) on an international basis; and boosting transatlantic cooperation in technology. UNICE is opposed to the EU, or a limited number of countries at the international level, unilaterally setting quantitative objectives for emission reductions in the post-2012 period.

The Commission should present to the 2005 Spring European Council the outline of an innovative and cost-effective strategy for reducing emissions and adapting to climatic changes in the medium and long term based on joint global efforts.

INTEGRATED PRODUCT POLICY



“Customer choice plays a central role in developing products with a good environmental score”

BACKGROUND

The Integrated Product Policy (IPP) approach seeks to develop a set of policy instruments in order to address the various potential impacts a product may have on the environment throughout its whole lifecycle. The aim of IPP is to consider action where it is most effective to improve the overall environmental performance of products.

As the expected prosperity of our economy is largely influenced by the production and use of products, it is of major importance to complement existing product policies by promoting lifecycle thinking as a key element towards sustainable development.

European industry is generally positive about the IPP strategy. UNICE would support and actively contribute to the development of a balanced and integrated approach, not limiting its scope merely to environmental considerations and respecting the role of each stakeholder.

This approach should offer a general and flexible framework to emphasise the potential for voluntary initiatives and good practice dissemination, respecting market forces and promoting European competitiveness. IPP will clearly contribute to improving the consistency of EU policies, and to optimising interaction with all related pending initiatives (such as the thematic strategies on resources and waste) and harmonisation measures at European and other international levels.

The objectives of IPP will lead neither to the development of tools to discriminate between products nor to the constraints on stakeholders through stringent unilateral regulation, since it would clearly damage the innovation capability of all companies, particularly small and medium-sized enterprises (SMEs), and possibly create detrimental trade barriers.

RECOMMENDATIONS

KEEP IPP VOLUNTARY, BASED ON INDUSTRY EXPERIENCE

The design, development, production as well as elimination and marketing of products are core activities for companies. Industry is committed to managing products in an environmentally sound and sustainable manner throughout its lifecycle and has the competence for continuous improvement of a whole set of product characteristics, including environmental performance. IPP implementation will benefit from previously developed industrial experiences in product design and stewardship. It will be organised in full transparency, good exchange of practices with a wide industrial partnership and other stakeholder involvement. IPP should not only focus on environmental characteristics of a product but also address the other pillars (social and economic aspects) of sustainable development.

DO NOT LEGISLATE IN THE PRODUCT DESIGN AREA

New legislation introducing general requirements on product design is incompatible with fundamental principles in a market economy. Public interventions in entrepreneurial activities can have unforeseen negative consequences of major significance, e.g. hampering innovation, loss of flexibility and prosperity.

COMPLY WITH WTO AGREEMENTS

IPP needs to be in compliance with international trade and environmental agreements. Most products are internationally traded goods, therefore EU legislation and initiatives have to fully recognise these needs otherwise IPP implementation may become a trade barrier under the Production and Process Methods (PPM) area of World Trade Organisation (WTO) rules.

RESPECT MARKET FORCES AND INDUSTRY RESPONSIBILITY

Supporting market forces as well as incentives will in the end provide the best solutions. Therefore, a key objective of IPP should be respect of the free choice of customers. Customers make their decisions taking into account a whole set of performance criteria, such as price, safety, quality, environmental performance, etc. Creation of artificial markets only focusing on "greener products" disregards customers' needs. UNICE would welcome any initiative jointly supporting innovation and promoting the IPP approach in the new Research and Development Framework Programme.

INTERNATIONAL TRADE



“Trade keeps the global economy moving”

BACKGROUND

European business needs an open, rules-based system to foster international trade and investment as “engines” for growth and competitiveness. A stable trade and investment environment requires a stronger multilateral trading system, deeper bilateral cooperation, mutually supportive approaches to security as well as trade facilitation and coherence between internal and external policies.

The creation of the World Trade Organisation (WTO) in 1995 was a major step forward for international economic cooperation and for improved stability and predictability in international trade. The Doha Development Agenda (DDA), launched in November 2001, will improve the system by dealing with new globalisation challenges and promoting liberalisation. Achieving the DDA aims of increasing trade and investment liberalisation in all countries and developing new rules to ensure a level playing field for business will generate economic growth for all and help integrate developing countries in the world economy. To be competitive on the world market, European companies should benefit from non-discriminatory trade and investment conditions in foreign markets just as foreign firms benefit from such treatment in the EU market. As a complement to the multilateral approach, bilateral/regional trade and investment negotiations that go further than what can be achieved in the WTO should be explored.

Terrorism is a threat to lives, political stability as well as prosperity. A coherent effective policy against terrorism requires cooperation at the international level. Close cooperation between governments and companies will also ensure that security measures and economic objectives reinforce each other.

RECOMMENDATIONS

THREE PRIORITIES FOR WTO NEGOTIATIONS

Focus on three growth-generating priorities in the WTO DDA negotiations: improved real market access for industrial goods, a binding multilateral agreement on trade facilitation and ambitious services liberalisation.

IMPROVE REAL MARKET ACCESS THROUGH BILATERAL ARRANGEMENTS

Bilateral trade and investment arrangements should improve access to large markets such as the US, China, Japan, Russia, India, the Mercosur region, the Mediterranean and the Africa, Caribbean and Pacific (ACP) countries.

INCLUDE SENSITIVE AREAS

WTO agricultural negotiations should assist policy-makers in all countries to substantially reform their agricultural policies with a view to eliminating trade-distorting subsidies, removing barriers to trade and reducing the overall level of public financial support for agriculture.

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.

TAKE ACTION AGAINST UNFAIR COMMERCIAL PRACTICES

Legitimate European economic interests should be promoted and defended against the unfair commercial practices of our competitors, in particular when countries do not respect their international commitments or when they adopt policies that disrupt world markets.

DON'T FORGET ABOUT THE RULES

Trade liberalisation should be accompanied by rules that help create a level playing field and that address the new challenges of globalisation. The EU should push for clearer implementation of the WTO rules on anti-dumping and anti-subsidies and improvements to the effectiveness of the WTO dispute settlement mechanism in the DDA negotiations; it should also demand rules for foreign direct investment within the WTO framework among interested countries.

MAKE TRADE FACILITATION AND SECURITY MUTUALLY SUPPORTIVE

Trade facilitation and security should be developed in a coherent and mutually supportive fashion. New measures should not unduly hinder legitimate trade and investment flows or unnecessarily overburden companies. E-customs should be actively promoted to speed up trade flows. The concept of authorised operators/certified enterprises should be promoted in customs and export controls on dual-use goods fields to develop a balanced trade and security agenda that reflects a new geo-political environment.