

Mr Prodi
President of the European Commission
Rue de la Loi 200
B-1049 Brussels

5 November 2004

THE SECRETARY GENERAL

Dear President,

***Re: Public consultation – Review of EU sustainable development strategy (SDS)-
Doc. SEC 2004-1042***

I am pleased to send you below our general reaction to the above-mentioned consultation, and a number of comments regarding promotion of sustainable development at EU level.

1. The vision of sustainable development that must inspire EU strategy

It is recognised at all levels – national, European and international – that pursuit of the objective of sustainable development requires implementation of resolute strategies for stimulation of economic growth, a strengthening of social cohesion and environmental protection, with particular attention to making sure that economic growth is able to underpin environmental and social objectives.

The complexity of these challenges calls for a very open and very well documented public debate which promotes a holistic approach on the part of policy-makers and civil society.

We would have liked the Commission document to make a richer contribution to stimulating such a wide debate. This could have been done by an explicit reference to the holistic vision of Community strategy for sustainable development as contained in the Commission's 2002 and 2004 communications on industrial policy, and the Commission's February 2004 report "Delivering Lisbon: reforms for the enlarged Union".

In our view, this opportunity has been missed. The Commission's synthesis and consultation document essentially highlights a number of social and environmental objectives, and reflects an unduly restrictive interpretation of the Gothenburg summit's conclusions and the Union's current agenda for sustainable development.

We therefore strongly urge that the follow-up report due to be published by the Commission early next year addresses the economic, social and environmental challenges linked to sustainable development in a truly integrated manner.

In that context, we would like to comment on the report by the Wim Kok High Level Group “Facing the challenge : the Lisbon strategy for growth and employment” which states that “the Lisbon Strategy wants to embed Europe’s commitment to social cohesion and the environment in the core of the growth and jobs generation process so they are part of Europe’s competitive advantage” (page 13 of the report). We can only agree to this statement if all stakeholders accept this to mean that social cohesion and environmental ambitions are only possible in a growing economy.

It is important to recognise and support the particular contribution made by companies which explicitly include progress towards sustainable development among their objectives, and which deploy innovative proactive initiatives in response to the expectations of their stakeholders, citizens and consumers, inter alia to move forward in the areas of environment and on social and developmental issues.

2. More detailed comments

The main points we would like to formulate concerning the six priority issues and connected themes submitted for consultation are as follows:

a) Climate change

EU institutions should strive for a global approach to combat climate change, and avoid unilateral activity that would marginalize the continent from a competitive business standpoint, without achieving true environmental improvements. European industry expects the EU to show leadership in bringing together all parties to start discussions on the Post-2012 issue. In the light of the Lisbon Agenda, great care should be taken to reconcile competing and sometimes conflicting policy targets on the way to achieving an optimised balance of the three pillars of sustainability.

It is essential that a truly comprehensive global agreement to combat the risks of climate change can be achieved that includes all countries and regions, particularly major emitters of greenhouse gases. Studies demonstrate that emissions from developing countries will exceed those of developed countries within the next 15-20 years. Building on the UNFCCC principle of common but differentiated responsibilities, such an agreement should allow for accommodating the national interests of the individual countries, and for meeting their different needs.

To strike a balance between costs and benefits is a must for any climate policy approach. Cost-efficiency is key. Meaningful cost-benefit analyses based on sound scientific methodologies should be conducted, thus creating the basis for a thorough impact assessment of any climate change strategy. Setting realistic objectives and installing mechanisms to enhance cost predictability will reduce economic uncertainty and would not undermine economic growth, thus increasing the support for sustained climate protection in all parties. If well designed and implemented, the Kyoto mechanisms can potentially play an important role for helping to improve the cost-benefit ratio of climate policies.

Technology will have a major role in the mitigation of climate change. In long term it is essential to encourage innovations by investing directly in research and development programmes in co-operation between EU and other countries as well as between governments, universities, research institutes and private actors. The role of Governments should be to provide the enabling conditions to allow the development of a portfolio of cost effective energy and mitigation technology solutions. Climate change should be seen as an

integral part of the general research and development policy, for example, in the seventh EU research framework programme.

b) REACH

UNICE believes that the design of the October 2003 REACH proposal did not reflect the objective of achieving environmental and public health results on the most economically effective basis. Indeed the red tape associated with the current REACH provisions are disproportionate to the objectives, will undermine the effectiveness of the system and its ability to deliver health and environmental benefits, and will have serious negative impacts on competitiveness.

If the REACH regulation is to meet its health, social and environmental objectives, as well as preserve the global competitiveness of European industry, some basic elements of the proposal have to be changed, such as rationalising of the scope, simplifying the process of pre-registration/registration and introducing a mechanism for setting priorities.

In addition, the results of the further work on impact assessment of REACH will have to be taken fully into account for revising EU chemicals policy.

c) Social aspects of the sustainable development strategy

With regard to process, the social aspects highlighted in the sustainable development strategy are fully tackled in the Lisbon agenda. A proliferation of policy processes should be avoided.

With regard to content, the specificity of each policy area should be respected and the momentum created behind the pensions and the social inclusion processes should be maintained.

- Poverty and social exclusion

Social exclusion is a complex and multi-dimensional phenomenon, and requires mobilising a wide range of policies. However, in UNICE's view, employment is the key to fighting social exclusion. The results achieved in fighting poverty and social exclusion are mixed. This is mainly due to difficulties encountered in meeting the Lisbon employment objectives.

The EU should concentrate on encouraging all 25 EU countries to introduce the labour market reforms foreseen in the European employment strategy to promote the creation of new jobs and integrate more people in the labour market. Full consistency between the national action plans on social inclusion and the national action plans on employment and good coordination between decision-makers in both areas are also crucial.

- Ageing society

Ageing represents one of the biggest economic and social challenges for Europe. It puts tremendous pressure on public finances and has important implications for the functioning of labour markets. The financial sustainability of pensions and health care systems must remain a top priority.

On the pensions side, 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. Member States should keep the momentum for reforms using the open method of coordination as the organisation of pensions remains primarily a national responsibility. Providing incentives for older citizens to stay on the labour market and encouraging private pensions to develop are two crucial factors for success in this area.

On the health care side, Member States should reform health care systems to contain costs. A new balance between public and private responsibility with more room for market players can contribute to easing the pressure on public expenditures.

d) Management of natural resources

The discussion on the development of a Thematic Strategy for the Management of Natural Resources lacks so far a clear perspective on the role of a resource-based approach in European environmental policy. The Commission should indicate after the first round of experts' work which direction this Thematic Strategy will take and highlight the added-value of a resource-oriented policy vis-à-vis existing environmental policy and measures. UNICE recommends to clearly develop this Thematic Strategy in line with the development of an Integrated Product Policy (IPP) and the Thematic Strategy on Waste Prevention and Recycling. In this context UNICE recalls that IPP should not only focus on environmental characteristics of a product but also address the social and economic aspects. Indeed the success of an IPP framework is linked to the integration of all characteristics of a product, in particular: environmental performance, safety, material use, logistics, functionality, production, price, marketing, consumer choice, safe disposal.

e) Mobility and transport

In principle, the measures proposed by the Commission have been moving in the right direction – improved transport and mobility with less environmental impacts. However, processes are so slow that the consequences of positive measures, like the liberalisation of the railways, cannot be seen on the European scale yet. In addition, some measures such as the liberalisation of port services have been delayed.

European business is open to discussion on innovative approaches that seek to change the entire structure of taxes and charges levied on road freight transport with a view to achieving greater economic efficiency and environmental effectiveness than is currently the case. The proposed directive on the charging of heavy goods vehicles for the use of certain infrastructures contains a number of positive elements for the development of such a common approach. However, this proposal needs to be adjusted in order to ensure that the restructuring of transport charges and taxes should under no circumstances lead to an increase in total transport costs for the user.

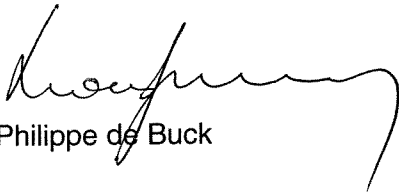
A good and well-maintained transport network is also one of the keys to a sustainable transport policy. Therefore, the Trans European Transport Networks programmes are very important for the future development of a sustainable transport policy. There exist significant problems regarding the huge financial cost of their development. This highlights the need for revenue raised as a result of the introduction of infrastructure charging to be reinvested in infrastructure construction and maintenance.

f) The external dimension of the EU sustainable development strategy

UNICE believes that the economic, social and environmental pillars of sustainable development require balanced treatment by the EU at the international level. Each pillar has its importance and justification as is reflected in the way these issues are addressed in multilateral institutions. Prioritising the environment pillar over the trade pillar (or vice-versa) would generate tensions not conducive to balanced solutions. At the same time, the EU should not reduce international cooperation in some fields (i.e. trade) because cooperation in other fields is progressing at a slower pace. With time and political commitment, progress will be made in the other fields as countries become more aware of the advantages of multilateralism. Therefore, while the EU should further pursue initiatives to facilitate coherence in international governance, each multilateral institution has its own role and responsibilities in the international system. It makes no sense to overload one institution to deal with all of the opportunities and challenges of globalisation.

The above elements are key for business, which is eager to improve its competitiveness. We do hope that you will give your closest attention to our contribution, in order to avoid putting Europe's economy on an unsustainable track.

Yours sincerely,



Philippe de Buck