

Mr Jeannot Krecké
Minister for Economy and Trade
6 Boulevard Royal
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THE SECRETARY GENERAL

Competitiveness Council 6-7 June 2005

Dear President,



I am writing you in view of the next Competitiveness Council. As usual, the agenda for the meeting is complete with important issues for discussion.

Please let me summarise European business concerns on the following agenda items:

REACH (agenda item 3)

Based on the Memorandum of Understanding agreed with the European Commission, UNICE and CEFIC and DGs Enterprise and Environment commissioned a study aiming at assessing the impact of REACH on producers of chemicals, downstream users and inorganic industries. The results were discussed both during a High Level Group meeting on 27 April, including Commission's Vice-President Verheugen and Commissioner Dimas, and at a Workshop organised by the Luxembourg Presidency on 10 and 11 May.

From the results of the study UNICE outlines seven main recommendations which will be essential to improve the efficiency and workability of REACH:

1. Prioritisation of substances in the registration process and pre-registration to help focus resources and increase cost-effectiveness;
2. Increased cost-effectiveness to enable SMEs to cope with REACH requirements and to avoid disruption of the value chain;
3. Balanced approach between the transparency of the information requirements, to be channeled mainly through standardised Safety Data Sheets, and the confidentiality needs of companies, which cannot be accommodated by mandatory data-sharing in consortia;
4. Combination of the "identified use" concept with broader "exposure categories" in order to safeguard the need for flexible substance use by downstream users;
5. Clearer scope of REACH to avoid overlap with other legislation, in particular exemption of recycled/recovered material to lower unintended consequences conflicting with sustainability objectives;
6. Clear exemption for R&D in order to boost innovation;

7. Minimisation of the re-engineering costs induced by the authorisation and restriction procedure, by taking into account application specific lead-times and product cycles. UNICE will continue making a constructive contribution to the debate and help find solutions that are key to render REACH workable in view of Europe's competitiveness.

Services Directive (agenda item 4)

A well-functioning internal market for services is crucial to Europe's competitiveness and its ability to attain the objectives of the new strategy for Growth and Jobs. UNICE therefore supports the Commission's horizontal approach to promoting cross-border trade and establishment in the internal market for services. Applying the country-of-origin principle, bolstered by increased and efficient cooperation between national authorities constitutes the right approach to promoting the internal market in services. Also some specific provisions of the proposal need to be adjusted, particularly those relating to control and supervision by national authorities and to avoid undermining implementation of directive 96/71 on posting of workers.

UNICE is participating with great interest in the debate on the proposed directive and believes that up to now a constructive and balanced debate has not yet been hold. Discussions have been dominated by often unfounded criticisms that have proved that fear of competition is holding up opening of the market for services. UNICE believes in the need for demystifying the debate and has just published two documents to clear up misgivings on the directive and illustrate its advantages for the European economy and citizens. UNICE hopes that these documents will help rationalise the debate and that the EU Institutions, with assistance and input from interested stakeholders, will strive to agree on a services directive able to deliver the objectives pursued.

Better Regulation (agenda item 5)

UNICE supports the Commission launching a framework of action to reduce the volume of the Community 'acquis' to improve the accessibility of legislation and to simplify existing legislation. Concrete action plans to simplify existing red tape must be put in place with ambitious and quantitative targets, deadlines and controls, and UNICE appreciates the Council's contribution to this by establishing Council priorities for simplification. It is important that initiatives in this area are taken to ensure faster progress regarding the adoption of simplification measures and that simplification measures do not become burdens in themselves. Stakeholders should be consulted throughout the process of developing and determining simplification measures. UNICE appreciates Commissioner Verheugen's efforts on this dossier and will provide, by the end of June, our suggestions on the simplification process.

Seventh Framework Programme (agenda item 6)

The strategic objectives of the Commission highlight the importance of research and development as one of the key drivers of prosperity and growth in Europe. UNICE is pleased with the focus on the competitiveness of industry provided in the section of the proposal on "cooperation", the correct implementation of which could quite possibly reverse the documented decline in industrial participation.

In order to achieve FP7's objectives, UNICE supports the call by the Commission for doubling the means to be devoted to promoting research and development at the EU level. This framework programme proposal stresses the central role of research, development and innovation in ensuring the competitiveness of Europe's economy. This central role should be

reflected in budget allocations regardless of the current ongoing debate about who should pay what.

In its regards the proposal of the Luxembourg Presidency to cut about €50 billion of the Commission plans to raise EU competitiveness cannot be accepted.

It must be noted that simply increasing the budget, without addressing present failings in the system is not and will not be enough. To maximise the potential benefits of FP7, the failings that exist in its predecessor must be addressed.

Should the proposed budget increase not come to pass then it is our view that a reassessment of the FP7 proposals will be necessary

I would like to conclude with a brief review of other issues on the Council agenda. UNICE supports the general approach the Commission makes to the **programme of Community action in the field of public health and consumer policy**. Furthermore, we welcome the debate launched by the **green paper on economic migration** and we have recently reacted with a position paper. While a combination of policies is needed to address the unprecedented economic and social challenges of demographic ageing as well as the shortages of labour, availability of labour from third countries can be part of the response. On the **SOLVIT** report, the Commission has established a database, which should lead to quicker and easier problem-solving and removal of barriers to free movement. To achieve this goal Member States need to inform companies and citizens about the system. It goes without saying that sufficient resources should be allocated to follow up reported cases.

Further documentation on all above-mentioned issues can be found on our website: www.unice.org

Let me also take this opportunity to thank you for your tremendous efforts to advance the competitiveness agenda during these six months, and for actively maintaining close relations with the business community throughout your Presidency of the Competitiveness Council.

Yours sincerely,

Cordula

Philippe de Buck
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