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THE PRESIDENT

**Subject: Competitiveness Council 28-29 November 2005**

Dear President,

Please let me express my gratitude for the excellent meeting we had in London on 5 October and for your detailed letter on 31 October commenting on UNICE's priorities for the Competitiveness Council.

As the end of the UK Presidency approaches, the outcome of several policy issues which are key for the European business community is still uncertain, in particular REACH, the Services Directive and the Financial Perspectives. The European Parliament this week took an important step towards completing the Internal Market for Services, but it will not issue a first opinion before next year. On the other two issues the Competitiveness Council under UK leadership can still make an important contribution to a constructive outcome.

The European Parliament vote on **REACH** on 17 November gives rise to serious concerns for industry as to the principle of authorisation and substitution. The stricter criteria for granting an authorisation to use a substance puts industrial processes at risk with no environmental or health benefit. In particular, the introduction of an authorisation with a time limit of five years ignores the reality of industry's product cycles, which are in many sectors much longer. Requesting a substitution plan even if the risk is proved to be adequately controlled would add an unnecessary burden and make the whole system even more complex. We therefore ask the Presidency and the Council not to team up with the European Parliament on this crucial point and to support the fundamentals of the Commission proposal on authorisation: that an authorisation shall be granted based on evidence of adequate control through risk management.

Two items that will be on your agenda next week are crucially linked to the EU budget 2007-2013:

First, the **Seventh Framework Programme** (FP7) is vital for the future competitiveness of Europe. In order to achieve the stated objectives of FP7, the Commission has called for a doubling of the means to be devoted to promoting research and development at European level. When finalising a partial general agreement on the FP7 in the Competitiveness Council, we expect you to emphasise that the central role of research for the EU's future competitiveness needs to be reflected in its budget allocation. Failure to do so will create the need for a complete reassessment of the current FP7 proposals.

Second, UNICE supports the Commission proposal for a **Competitiveness and Innovation Framework Programme** (CIP) and the simplification it brings. We appreciate that competitiveness is taken as the overriding theme to inspire and drive the three sub-programmes on Entrepreneurship and Innovation, ICT Policy Support and Intelligent Energy Europe. But like FP7, CIP is an important part of future Community expenditure under the "Competitiveness" heading of the Financial Perspectives. A sufficient allocation of resources to CIP should be the priority objective.

Furthermore, we are concerned about the current escalating debate on the idea of a **European Institute of Technology** (EIT). UNICE fully supports President Barroso's statement that *"we need to strengthen Europe's potential in research and technology by stimulating research careers, by encouraging European researchers to stay in Europe and by attracting the best brains from around the world"*. However, at the moment we would ask for attention to be focused on FP7.

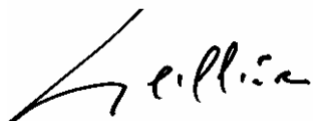
You will further hold a substantial debate on **Better Regulation**. The Commission tabled, on 25 October, a three-year programme to simplify the *acquis communautaire*. It demonstrates a clear willingness to carry out a profound analysis of the different Community rules. Simplification must become a continuous and systematic process, with competitiveness as the guiding principle. It is positive that the Commission is embarking on such a programme, starting with heavily regulated sectors, such as cars, waste and construction, and subsequently tackling administrative burdens by simplifying statistical returns and exchange of information. The whole exercise will only be successful if clear and efficient procedures are set up. We recognise the efforts of Commission President Barroso and Commission Vice-President Verheugen, but it is only the beginning of a long journey. Quick wins will boost confidence in the overall worth of the project. In addition, we would like to stress the importance of impact assessments for getting an idea about the cost-effectiveness of legislation and achieving cost reductions. Especially measurement of administrative burdens is an important tool for preparing and assessing simplification proposals.

On the development of a **Common Frame of Reference (CFR) on European Contract Law**, we appreciate that stakeholders have been involved in a transparent process from an early stage of the project. However, the proposals made by the “research network” on the CFR give reason for preoccupation. Two fundamental criteria have to be fulfilled: first, the CFR has to be a pragmatic and useful document and second, it has to be adapted to the new approach proposed by the Commission that is to be focused on consumer law. The structure of the CFR, as proposed by the “research network”, does not take into consideration these two criteria. On the contrary, the scope goes far beyond consumer law, and the idea of a civil code is still not abandoned. If this project was to go down this path, UNICE would strongly oppose it.

Finally, since you will hear a progress report on the **re-launched Lisbon Strategy** and the National Reform Programmes recently submitted to the European Commission, I would like to reiterate the business community’s wish to see the Competitiveness Council take up a more proactive role in the review of the implementation of the Lisbon Strategy.

Thank you in advance for the consideration you and your colleagues may give to UNICE’s views.

Yours sincerely,



Ernest Antoine Seillière