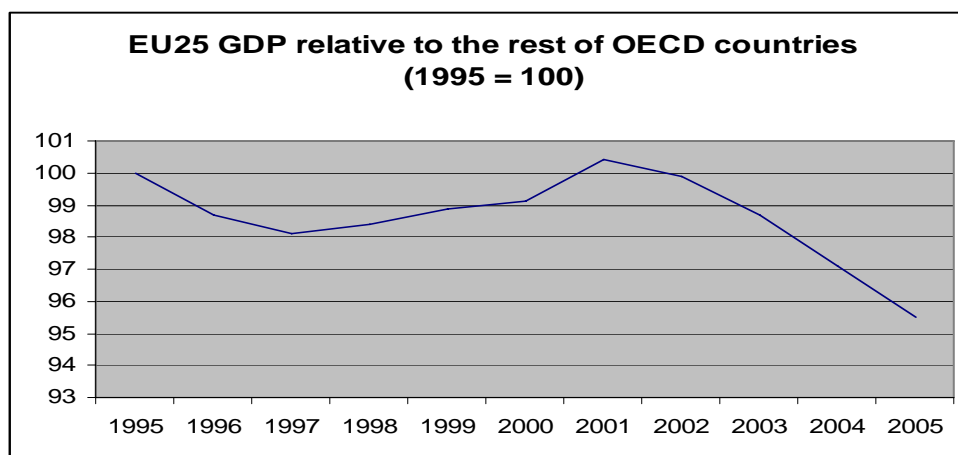


17 January 2006

**CHANCELLOR SCHÜSSEL, PRESIDENT OF THE EUROPEAN COUNCIL
MEETING WITH
UNICE PRESIDENT, ERNEST-ANTOINE SEILLIÈRE**

ON EUROPEAN BUSINESS EXPECTATIONS FROM THE AUSTRIAN PRESIDENCY

The deep crisis in which the European Union has fallen must be overcome quickly and resolutely. Amidst the badly needed debate on the future of Europe, one fact is unquestionable: Europe needs more growth and jobs, if it wants to keep its standard of living. Europe's economic performance has been dramatically losing ground in recent years in relation to other parts of the world:



Source: European Commission

European business is deeply convinced that a strong EU committed to creating more growth and jobs is indispensable in a globalised world. Against that background, UNICE would like to discuss with you the following priority items for the Austrian Presidency:

GROWTH AND JOBS

The refocusing of the Lisbon Strategy on growth and jobs at the last Spring Council was an important step towards preparing Europe for the historic challenges of globalisation, technological change and an ageing population. The urgency to reform was underpinned by the informal meeting of heads of state or government in October in Hampton Court on the future of the European Social Model.

It must be ensured that concrete reform action now follows, especially concerning Member States' National Reform Programmes (NRPs) and the Commission's Community Action Programme for Growth and Jobs. The preliminary assessment by UNICE and its Member Federations of the NRPs is predominantly positive. They provide useful overviews of the national reform actions. However, the NRPs contain almost no new measures but only already implemented or ongoing measures. Most importantly, it will be the actual implementation of the announced measures on which success or failure of the renewed Lisbon Strategy will depend.

Action Points:

- **The Spring Council 2006** must end up with stronger commitments on national reform than previous Councils. The European Council must engage in a real monitoring of the National Reform Programmes. This must include naming best practice and, where necessary, shaming countries on insufficient reform efforts.
- An inter-institutional agreement on the **Financial Perspectives 2007-2013** must be found, which should stress the priority to be given to competitiveness' enhancing programmes.
- The Spring Summit must reflect a strong commitment and support from Member States to the "Modern SME Policy " presented by the Commission in November 2005 (promote entrepreneurial skills, improve SMEs' access to markets, cut red tape, improve SME growth potential and strengthen dialogue and consultation with SME stakeholders).
- The European Union's research and development efforts should also be fostered through a reassessment of the current 7th framework programme proposal.
- The **European Business Summit** on 16 and 17 March, organised by the Federation of Belgian Enterprises with UNICE's support will be devoted to the National Reform Programmes, and we hope for an active participation of the Austrian Presidency.

ENERGY

Competitive energy prices and security of supply are vital for EU industry and thus for economic growth and the creation of jobs. The latest gas dispute between Russia and Ukraine illustrates the need for a closer cooperation on energy matters. To date the energy issue has mainly been discussed at national level.

At the European Spring Summit important conclusions should be drawn concerning energy policy:

Action Points:

- Given Europe's growing dependence on imports, UNICE strongly calls for a focus on how national and EU policies together can address the challenges facing security of energy supply. Greater European cooperation on the question of energy supplies is vital for industry. The European Union must enter into strategic partnerships with major potential suppliers and into an energy dialogue with third countries. Energy therefore must take a significant role within the common security and foreign policy.
- **Increase energy efficiency:** this objective has rightly been moved up the EU agenda. It should be promoted in a non-bureaucratic manner. For example, improvement of energy efficiency should be defined with reference to an overall energy strategy, i.e. encompassing key instruments such as the Emission Trading Scheme.
- A clear and coherent definition of the objectives pursued and of their interdependence is key to the definition of any future priority action proposals, and of the criteria for impact assessment that will have to be used to test them.
- UNICE is pleased that the Commission has recognised that industry in Europe has been at the forefront of improvements in energy efficiency. Other areas such as households or the passenger transport sector still hold significant potential for energy-saving.
- Only greater integration of national markets and effective unbundling can bring the required improvements to competition in the internal energy market. National governments need to **step up efforts to implement market opening measures**, also by increasing interconnection capacity. In addition, it should be made possible for Member States to enter into long-term energy supply contracts among themselves.

DOHA DEVELOPMENT AGENDA

The Hong Kong Ministerial Conference contributed to moving the WTO negotiations forward towards concluding the Doha Development Round. However, strong concerns remain over the slow progress in negotiations on industrial tariffs and services. UNICE is especially disappointed with the absence of progress on a comprehensive formula for reducing industrial tariffs.

Development is one of the key objectives of the round. However, development will come from progress in the main growth-generating issues – especially market access for goods, services and improved rules such as trade facilitation.

Action Points:

- UNICE urges the EU to develop a **new trade strategy** to ensure that the EU's offensive interests in industry and services are at the heart of WTO negotiations. Business does not accept the exclusive focus on defensive agricultural interests, which represents only 8% of world trade.
- On **industrial tariffs**, UNICE demands that the EU pushes for an ambitious Swiss formula to reduce tariffs across the board for all products in OECD and emerging countries. Exceptions can be made for the least developed countries and for small

developing countries but the emerging countries - China, India, Brazil - must cut their applied tariffs significantly.

- On **services**, UNICE urges the EU to prepare rapidly, in consultation with the EU services industry, proposals for plurilateral negotiations on key services sectors and to pursue the maximum level of ambition and country coverage.
- Finally, UNICE encourages EU authorities to **engage more proactively with European business** – notably UNICE and ESF – to ensure that trade policy delivers on the improved market that business needs for jobs and growth.

SERVICES DIRECTIVE

The services directive must add value for the European market and notably for service providers and consumers. The directive must create new opportunities in terms of employment, economic growth, increased competition, wider choice and dynamism in the services market which does not yet really exist in Europe. It is estimated that a real internal market for services could create up to 600,000 more jobs.

Action Points:

- UNICE is pleased that the Austrian Presidency wants to seek a political deal by June provided the European Parliament finishes its first reading in good time.
- UNICE considers it vital that the search in the European Council for an equilibrium
 - ensures that the legislation of the **country of establishment** of the service provider remains the main pillar and that derogations are fully justified and strictly necessary;
 - respects the **horizontal character** of the proposal (against sectoral harmonisation) and its broad scope; it is important that services of general economic interest remain within the scope of the directive while services of general interest as defined by Member States are clearly excluded;
 - ensures that the directive sets out a balanced and clear distribution of the **control and supervision competences** of the authorities of the country of establishment and those of the country where the service is provided. Also public cooperation between competent authorities must be strengthened.

BETTER REGULATION

Austria has vowed to continue the initiatives started by the four previous presidencies to improve and simplify the legislative EU framework.

Action Points:

- **Impact assessments** are vital to gain an idea about the cost-effectiveness of legislation and achieving cost reductions. European business upholds the view that an independent body would be best suited to control the assessment of draft legislation.
- European companies and citizens are waiting for concrete **simplification of the acquis communautaire**. Simplification must become a continuous and systematic process, with competitiveness as the guiding principle. It is positive that the

Commission is embarking on a programme to simplify the *acquis communautaire*, starting with heavily regulated sectors, such as cars, waste and construction, and subsequently tackling administrative burdens by simplifying statistical returns and through exchange of information.

- The **measurement of administrative burdens** is a successful instrument to visualise certain cost effects caused by regulation. The Commission's intent to implement such a model at EU level (EU Net Administrative Cost Model) is highly welcomed by European Industry and must therefore be put in effect as soon as possible.

CLIMATE CHANGE

In Europe, companies have hitherto been highly mobilised towards controlling emissions of greenhouse gases. From 1990 to 2002, process industries managed to reduce their emissions by 22% in absolute terms. However, this contribution cannot be sustained in the long term if the current absence of a truly global strategy for combating climate change persists. The United Nations Conference on Climate Change in December in Montreal ended with a positive but small step towards launching a process aiming at putting in place a global approach to address climate change. Now the momentum must be kept and fresh approaches must be developed.

UNICE notes with interest the Commission's guidance document for the second-round allocations plans (2008-2012). UNICE expresses great concern over the potential worsening situation of EU competitiveness which could result from the Commission's recommendations to reduce allocations to the trading sectors by 6%.

Action Points:

- It is vital that the EU does not continue on the track of harmful unilateral commitments taken by some economic regions alone, and **changes its own strategy** in order to achieve a truly global solution.
- The EU must reconsider its climate diplomacy and the way it addresses the post-2012 issues. The EU should explore **new approaches** for defining long-term goals for emissions control, adapted to the essential need to engage all parties in climate protection. New innovation and technology-driven approaches will increase the chance for an international agreement which the United States and other countries, especially the fast-growing emerging economies, will join.
- In the framework of the 2008-2012 national allocation plans (NAPs), all options should be left open for Member States regarding the choice of how to comply with reduction targets in the most efficient way, taking into account national circumstances. **No explicit or implicit limit should be placed on the use of flexible mechanisms.** When screening NAPs, intervention from the European Commission should be focused on competition-related issues, in order to avoid unfair competition between industries in the internal market. UNICE regrets that the Commission has not defined harmonised rules for new entrants and closure of sites in the guidelines for establishing NAPs.
- UNICE urges the EU **not to implement the option of auctioning** emission allowances.

WORKING TIME DIRECTIVE

Today, according to the ECJ jurisprudence, a worker having been on on-call duty for a week-end (48 hours) could be prevented from working for the whole of the following week. This absurd situation needs to be redressed. The problem to be solved does not lie in the opt-out.

Action Points:

- **Inactive parts of on-call time** should not be considered as working time;
- The revised directive should establish a **twelve-month period** as a general rule and give the possibility to extend it beyond twelve months by collective agreement;
- The **opt-out from the 48-hour working week** should be maintained and should be made available by two independent means: either by collective agreement or by individual consent as opposed to a combination of both.

INSTITUTIONAL CRISIS

There is an urgent need to find a way out of the current institutional crisis in the EU. But the pause for reflection, which the EU prescribed for itself after the failed referendums on the Constitutional Treaty in France and the Netherlands, currently seems to be marked more by pause than by reflection.

UNICE has supported the Constitutional Treaty because it is balanced in the values and policies it proposes and because it creates the foundation for the clear, democratic and effective governance the European Union needs so badly. The Austrian Presidency should work towards putting in place measures to improve the governance of the EU at the June 2006 European Council.

Action Points:

- The most important concern now is to **modernise the European institutions** and make them work with 25 and soon more Member States.
- The EU must make an honest **assessment of the state of play**, and set a **timetable** and a **method** for implementing the essence of the improvements to the functioning of the EU institutions.
- Governments should engage in **national campaigns** on the added value of Europe and its needed reforms for its citizens. Injecting further democracy into the current functioning of the institutions is key.
