

27 February 2006

**MR GÜNTER VERHEUGEN, VICE-PRESIDENT AND COMMISSIONER RESPONSIBLE
FOR ENTREPRISE AND INDUSTRY
MEETING WITH
UNICE PRESIDENT, ERNEST-ANTOINE SEILLIÈRE**

THE STRATEGY FOR GROWTH AND JOBS

The European Commission adopted its Annual Progress Report on the Growth and Jobs Strategy on 25 January including the assessment of the 25 National Reform Programmes. UNICE believes that the Commission's report offers a good basis for policymakers throughout Europe to deliver on the Strategy for Growth and Jobs. The great majority of UNICE member federations positively assesses the National Reform Programmes. However, almost all federations make a negative evaluation of actual progress in implementing national reforms over the last year.

The four actions proposed by the Commission to be taken in partnership between the EU and the national level at this year's Spring Summit;

- investing more in knowledge and innovation;
- unlocking the business potential, particularly of SMEs;
- responding to globalisation and ageing,
- and moving towards an efficient and integrated EU energy policy

are putting the right focus on Europe's most urgent needs for reform. But they must be perceived from the angle of how they can create more growth and jobs.

Contacts UNICE has had with the Austrian Presidency indicate that Member States are not too keen on concrete commitments at this Spring Summit, e.g. concerning the setting of national spending targets for R&D to fulfil the overall EU goal of 3% of GDP to be spent on R&D. This attitude is a cause for concern.

Key now is the practical implementation at national level of the actions identified in each National Reform Programme but especially in Germany, Italy and France. Success is dependent on Member States' commitment and the way the European institutions monitor the practical implementation of the actions identified to move forward the Strategy for Growth and Jobs at European and at national level.

N.B. UNICE is currently preparing a position on the state of play of the renewed Lisbon Strategy for Growth and Jobs. Furthermore, an open letter signed by all UNICE Presidents will be handed over to President Barroso and Chancellor Schüssel during the Tripartite Social Summit on 23 March containing European business message ahead of the Spring European Council.

THE COMPETITIVENESS COUNCIL

UNICE reiterates the important role the Competitiveness Council must to play as it was expressed in the Spring Council conclusions of March 2003. Unfortunately, for the time being, this Council formation is not in the position to live up its role as guardian of European competitiveness as it was foreseen. In UNICE view, the Competitiveness Council will only be able to play this role effectively if it obtains decision-making authority alongside the other Council formations.

N.B. UNICE is preparing a letter addressed to Minister Martin Bartenstein, President of the Competitiveness Council, ahead of the 13 March 2006 meeting, focusing on three items: the Competitiveness Council's inputs to the Spring Summit, the Services Directive and SME Policy.

ENTREPRENEURSHIP & SMALL AND MEDIUM SIZED ENTERPRISES

UNICE supports the Commission's Modern SME Policy Communication presented on 10 November 2005: it rightly highlights the importance of entrepreneurship and SMEs for the success and growth of the EU economy. We particularly welcome the initiative of streamlining and providing a coherent list of actions to foster a real SME policy. UNICE Secretary General Philippe de Buck, will attend the Commission's conference on "Implementing Modern SME Policy" on 28 February 2006 with other SME stakeholders.

The actions foreseen on entrepreneurship education, access to finance, taxation, better regulation and internationalisation of SMEs have our support but we reiterate the business community's request to work with the EU institutions as early as possible in policy initiatives to make the Partnership for Growth and Jobs a success. The above mentioned Communication fittingly identifies Entrepreneurship and SME policy as horizontal. Indeed covering almost all policy activities of the EU have an impact on SMEs. It is therefore essential that Vice-President Verheugen ensures a coherent approach for SMEs through out the European Commission. For example, in the services directive debate, while the aim should be to lessen the administrative burdens for SMEs, the outcome of discussions in the European Parliament points to an increase of such burdens due to possibility for a multitude of authorisations: this incoherence should be lifted. This could be a test case for applying the "think small first approach" advocated in the "Modern SME Policy" Communication".

UNICE urges the Commission to do its utmost to ensure that Member States, both in the Competitiveness Council and at the Spring Summit commit to implementing the aforementioned Modern SME Policy Communication.

In this context, the actions requested of Member States in the Commission's report to the Spring Council 2006 to "unlock the business potential, particularly of SMEs" are fully supported by European business and we expect commitments from Member States to that effect.

HIGH-LEVEL GROUP ON COMPETITIVENESS, ENERGY AND ENVIRONMENT

President Seillière thanks the European Commission for the creation of the High Level Group. The fact of discussing the themes of competitiveness, energy and the environment with four Commission Directorates-General around the table constitutes an important step towards the objective of developing more integrated policies. It seems highly desirable that, for issues such as EU climate policy, there should be a more integrated approach within the Council of Ministers. Among other things, this would require that questions relating to climate change strategy are examined not only by the Environment Council but also by the Energy and Competitiveness Councils. At the HLG meeting on 28 February 2006 a comment will be made on this issue from the industry side. UNICE hopes that this appeal will be heard by the Austrian Presidency and by the other Member States represented. It would be useful if the Commission could also encourage the Austrian Presidency to move in this direction.

At the Commission's initiative, seven ad hoc groups will be created under the aegis of the HLG. One group will address the important issue of the EU emissions trading scheme (ETS). UNICE believes it important that creation of this group does not rule out the possibility of discussing wider themes linked to the design of EU climate strategy as a whole at the level of the HLG.

BETTER REGULATION

UNICE acknowledges that the progress that has been made in the area of better regulation:

- Comprehensive impact assessment guidelines are put in place which allow for proper assessment of the impact on Europe's competitiveness of new legislative proposals;
- There is a sensible common methodology for measuring administrative costs;
- Simplification has become a continuous and systematic process with competitiveness as the guiding principle.

Three issues remain which in UNICE's view are of vital importance for achieving better regulation for growth and jobs in the EU:

- The credibility of impact assessments would gain if they were verified by an independent body to counterbalance the possible subjectivity of the Commission services who are in charge of developing a legislative proposal and who also have to prepare the impact assessments;
- Reducing red tape is vital for business. On 29 June 2005 UNICE sent a letter with several suggestions for simplification. In a response from Vice-President Verheugen dated 27 July 2005 you informed us that you would withdraw unnecessary proposals and that suggestions for simplification would be reviewed by the Commission. So far not all of UNICE's concerns about existing legislation have been addressed in the present simplification programme. However, considering that simplification is an ongoing process we hope that this will change in the next update of the rolling simplification programme.
- Simplification proposals should really reduce burdens for businesses and not add new requirements as a result of the legislative process. The Council and the European

Parliament should thus modify their working methods so that they do not add new requirements to simplification proposals and deal with them quickly.

REGISTRATION, EVALUATION AND AUTHORISATION OF CHEMICALS (REACH)

On REACH, the outcome of the European Parliament first reading entails serious concerns for industry as to the principle of authorisation and substitution. Indeed, the stricter criteria for granting an authorisation to use a substance put 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, and requesting a substitution plan even if the risk is proved to be adequately controlled would add unnecessary burden and make the whole system even more complex.

The Council political agreement on authorisation constitutes the maximum feasible for industry and is in itself already a compromise between the Commission initial proposal and the European Parliament first reading.

Therefore in view of the second reading UNICE is urging decision-makers to confirm the Council political agreement on Authorisation and not to compromise it further towards the European parliament first reading's proposal.

SERVICES DIRECTIVE

In the aftermath of the plenary vote by the European Parliament on 16 February, UNICE reacted with great disappointment on the many changes approved which deprive the directive of much of its value.

Due to the misleading new labelling of the proposal as a social directive in some quarters, the directive has been greatly undermined, reducing considerably its scope and diminishing the level of legal certainty, essential for service providers and their customers.

The Parliament's amendments, although some provide helpful clarification, many undermine the directive by reducing its scope further, introduce more legal uncertainty and diminish the administrative simplification effect of the directive creating a risk of increased red tape. Also provisions relating to labour law and industrial action are of concern for UNICE.

UNICE will strive to advocate for a rebalancing and has urged the Commission to take its responsibility and analyse carefully the plenary amendments. Only those amendments that contribute to the facilitation of the freedoms of establishment and to provide services should be accepted. UNICE would also ask the Commission, before any decision is taken, to carry out an assessment of the economic and legal impact of the numerous changes proposed by the Parliament. The proposed directive must have practical positive effects for growth and employment in Europe.

CORPORATE SOCIAL RESPONSIBILITY

UNICE notes developments on CSR and the way the Commission proposes to move forward. We expect the new CSR communication to set a very different tone from the 2002 communication, and hope that it will overwrite its orientations and priorities.

UNICE will actively support the upcoming CSR alliance between the Commission and businesses, and is prepared to

- act as an interface between the Commission and companies and bring new companies to the alliance;
- help coordinate activities of the alliance in cooperation with CSR Europe and other relevant business organisations;
- act as a multiplier through the dissemination of information on the alliance, the gathering of information and experiences for the alliance, etc.

While regular stock-taking meetings will be important to inform about activities of those involved in the alliance, we would otherwise advise to keep the process as light as possible and avoid formalisation.

The alliance is rather well received on the business side. It will enable the putting into practice of numerous Forum recommendations and will usefully build on the fact that companies are the CSR players. As the Commission, UNICE is convinced that CSR will essentially and best be driven further by companies themselves as they strive for sustainable success and a competitive edge and engage in dialogue with their stakeholders at corporate level.
