

Dr Martin Bartenstein
Federal Minister of Economy and Labour
President of the EU Competitiveness Council

Stubenring 1
A-1010 Wien

3 March 2006

THE PRESIDENT

Subject: Competitiveness Council 13 March 2006

Dear President,

We expect the Competitiveness Council to play a leading role ahead of the Spring European Council and in the assessment of National Reform Programmes. The Spring Council must stress that implementation of reforms already committed to in the context of the renewed Lisbon Strategy for Growth and Jobs is indispensable, especially at national level and in particular in the large Member States Germany, Italy and France.

UNICE's members assess the National Reform Programmes fairly positively. However, many of the Programmes could be more ambitious as they rarely present new measures. Moreover, our members almost unanimously make a negative evaluation concerning actual implementation of reforms over the last year. If the National Reform Programmes are not to become another set of toothless Lisbon documents, EU institutions must now devise an improved governance mechanism to monitor progress on national reform, exerting peer pressure where necessary. The ongoing economic recovery provides a good basis to step up reform efforts, but the window of opportunity could be short. As indicated in our forthcoming Spring Economic Outlook, growth could slow down as early as 2007 if confidence in Europe's longer-term prospects does not return. We know already that the EU is at the top of the cycle. All efforts to boost growth are indispensable.

UNICE supports the four priority areas for the Spring Summit proposed by the European Commission: knowledge and innovation, reforming social systems, SMEs and energy. As regards energy policy, we urge the Competitiveness Council to explicitly take a position at the next meeting, as there is a strong competitiveness element to be taken account of. A good European energy policy must establish dynamic competition on energy markets, enabling consumers to benefit from the most competitive prices possible. At the same time, it must reconcile sustainable development goals and the CO2 constraint with European competitiveness. European business asks you to put this issue also on the agenda for your meeting in May.

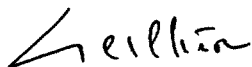
In your exchange of views on SMEs it will be important to ensure real commitment to implementing a modern and active policy encouraging SMEs to grow and fostering entrepreneurship education. Supporting the creation and growth of innovative SMEs is the best recipe for sustainable jobs. The Council's conclusions on this theme should send a clear signal of Member States willingness to commit to unlocking business potential through measures that will free companies from unnecessary administrative burdens.

The changes to the services directive proposed by the European Parliament after the plenary vote on 16 February were a great disappointment for European business. We believe that many of those changes will empty the proposal of much of its internal market value and its capacity for creation of growth and jobs. With almost 20 million unemployed people, the EU badly needs a directive that is able to remove barriers and offers legal certainty to service providers and customers so that they can benefit from a genuine internal market for services.

The Competitiveness Council should urge the Commission to carefully analyse the economic and legal impact of the Parliament amendments particularly as regards impact on the competitiveness of the European services sector. Amendments which open the way for new restrictions on the freedom to provide services and which concern national competences rather than EU competences such as industrial action, give rise to multiple interpretations and legal uncertainty and should not be accepted.

UNICE hopes that our concerns will be taken account of in your discussions on 13 March. Please find also a document at annex for more information on further issues on the Council agenda.

Yours sincerely,



Ernest-Antoine Seillière

3 March 2006

Annex:

UNICE positions on further items to be debated at the Competitiveness Council meeting on 13 March 2006

Item 5: Proposal for a decision on a Competitiveness and Innovation Framework Programme (CIP) 2007-2013

UNICE appreciates that competitiveness is taken as the overriding theme that must inspire and drive the sub-actions on Entrepreneurship & Innovation, ICT Policy Support and Intelligent Energy-Europe. Policy action for entrepreneurs and SMEs needs a coherent approach in support of their competitiveness and in this context it is appropriate that different policy actions fall under a single framework. The CIP must nevertheless be complementary to the seventh framework programme for R&D. There is an urgent need to bring results of research and innovation to the market, thereby contributing to the EU's competitiveness, deeply needed for more growth and jobs.

The effectiveness of the CIP is closely linked to the outcome of debates on the Financial Perspectives 2007-2013 as its budget falls under the competitiveness heading 1a. UNICE strongly urges the EU Institutions to ensure that sufficient funds are allocated to the CIP in order for it to deliver results.

Item 7: Proposal for a regulation on a modernised Community Customs Code

UNICE supports a revision of the Customs Code leading to streamlined customs procedures in the EU and new rules on e-customs based on a modern IT-based environment. In a globalised marketplace, European traders need to have the most up-to-date trade-facilitating export and import procedures and rules which are not more burdensome than those of their main competitors in third countries. The modernisation of the Customs Code should therefore result in simplifications reducing the costs for business and harmonising customs procedures throughout the EU to make the Internal Market a reality. European business is concerned about the willingness to transfer to operators ever more responsibilities and administrative tasks linked to customs and security.

Item 9: Proposal for a regulation laying down the rules for participation of undertakings, research centres and universities in action under the 7th Framework Programme (FP7) and the dissemination of research results

Last December, European Heads of State confirmed the need to accelerate progress in addressing the renewed Lisbon Strategy, through a substantial enhancement of the EU's research effort led by FP7. UNICE fully endorses this need for urgent and more coherent action at the European level and by member states. While the Commission seems likely to obtain a substantial increase in budget for FP7, the funds originally requested will not be forthcoming. It is therefore clear that careful attention must be given to the design and implementation of FP7. We believe the following principles for establishing FP7 priorities should be observed:

- Effective use of Community funds for R&D aimed at raising standards and mobility;
- Supportive actions aimed at encouraging more productive use of the knowledge that is already available and is being generated;
- Sound programme management, based on simplification and a better understanding of business as well as academic processes and objectives.

In this respect we believe that the three definite priorities for FP7 funding should be:

- to enhance European excellence in frontier research;
- to foster stronger science-industry linkages with a view to developing approaches to partnership and intellectual property that engender trust and mutual understanding and to ensure that European know-how translates into European benefit for Europe, and;
- to create sustainable platforms for current and future European economic and industrial success through the Technology Platforms.

Item 10: Commission Communication on state aid for innovation

UNICE supports the Member States redirecting aid towards promotion of research, development and innovation, including a policy of tax incentives for investments in R&D and innovation as an essential instrument for economic development in the EU, as emphasised in the Lisbon Strategy and particularly beneficial for SMEs. UNICE therefore supports encouraging innovative start-ups although it suggests developing a sector-based approach in this context to take account of widespread differences that exist between different sectors, for example regarding time-to-market and product development cycles.

UNICE also supports additional flexibility for state aid to risk capital and encouraging firms to buy innovation services and facilities through innovation vouchers. Likewise, UNICE favours encouraging innovation-related training of employees and mobility of highly qualified researchers and it suggests also compensating universities for loaning staff to large firms. Regarding the proposals to develop new rules for collaboration and clustering, UNICE would like to stress that they also cover large firms. SMEs often flourish in the slipstream of large companies, in particular in regional clusters, and it would be counterproductive to exclude large firms from aid schemes promoting collaborative R&D and innovation and the establishment of regional clusters.

Lastly, UNICE strongly supports changing the R&D state aid rules to encourage technological experimentation and the launch of innovative products by both large and small firms. However, this is not enough to change the current situation of significant under-investment in R&D and innovation. The distinction between industrial research and precompetitive development activity based on the linear innovation model should be abolished. This model no longer reflects today's industrial innovation process. UNICE strongly believes that if the Commission and the Member States are really serious about stimulating innovation, the first thing they should do is abolish this outdated model because otherwise there will be less investment in R&D and innovation than is desirable for Europe's economy and society.
