

**EUROPEAN BUSINESS EXPECTATIONS FROM THE FINNISH PRESIDENCY
NOTE FOR AMBASSADOR EIKKA KOSONEN
PERMANENT REPRESENTATION OF FINLAND TO THE EUROPEAN UNION**

**MEETING WITH UNICE PRESIDENT ERNEST-ANTOINE SEILLIÈRE
AND UNICE SECRETARY GENERAL PHILIPPE DE BUCK
ON 12 SEPTEMBER 2006**

THE FUTURE OF THE EU

UNICE considers it is in the interest of business for Europe to be properly governed in order to be able to take the necessary decisions to make Europe competitive in the globalised world for more growth and jobs. It is for governments to decide how to do this and get us out of the governance confusion we are in.

We therefore ask the Finnish Presidency to ensure that a strict timetable is kept and that all the necessary actions are taken in good time to meet the announced deadlines.

COMPETITIVENESS

GROWTH AND JOBS:

The most urgent reforms to prepare Europe for globalisation and population ageing will still have to be carried out at the national level. In autumn, the first implementation reports on the National Reform Programmes for Growth and Jobs will be submitted by Member States. The Finnish Presidency is in an excellent position to encourage courageous policy reforms drawing on its own successful reform experience.

INTERNAL MARKET:

The Internal Market is a cornerstone of Europe's prosperity and one of its greatest achievements. A well-functioning and dynamic Internal Market throughout the European Economic Area is vital for companies. It is also one of the main elements of the EU growth and jobs strategy and a key instrument in the general debate on Europe and its citizens.

European companies consider that the internal market policy should focus on the following key concepts:

- Completion, because the integration of European markets has lost momentum and needs to be further developed. This requires achieving efficient European network industries, applying the mutual recognition principle for all relevant markets, creation of a genuine internal market for services, including financial services and completing the internal transport market.

- Consolidation, through proper enforcement of existing rules and a stronger focus on Member States' cooperation and responsibility. Firm action should be taken in favour of the respect of Internal Market law and to avoid an upsurge of national protectionism.
- Awareness, because Internal Market achievements pass largely unnoticed by the public. It can and should rightly be presented as a strong link between citizens and Europe and as a major priority in a strategy for the future of Europe.

INNOVATION AND RESEARCH:

The Finnish Presidency has stated that it will promote the development of a broad-based innovation policy during its presidency drawing on the recommendations of the Aho group's innovation report as one source of ideas.

Leading markets, straightforward regulation, and better use of public procurement and standards will encourage the flow of knowledge towards value creation. UNICE fully endorses the need for urgent and more coherent action at the European level and by Member States. As explained by Mr Aho, the contributing conditions for R&D depend on creating a culture of innovation supported by a greater sense of purpose and strategic direction. Innovation and research will only translate into growth and jobs when it is enterprise and market driven.

The most important decision to be taken during the Finnish Presidency in the field of research and innovation policy will be on the Research Framework programme (FP7). It is of utmost importance to research and innovation in Europe that the Finnish Presidency brings negotiations to a successful conclusion on all aspects relating to FP7 as quickly as possible so as to ensure that FP7 starts on the 1st January in 2007.

ENERGY

When developing an EU energy strategy, the European institutions increasingly want to set quantitative objectives defined for very long-term time horizons such as overall and sectoral contribution of renewable energies, overall contribution of low-carbon and secure energies, reduction of greenhouse gas emissions, etc.

Much greater attention should be paid to short- and medium-term problems such as the creation of a truly open Internal Market for energy or protection of the competitiveness of energy-intensive industries in the framework of the EU Emissions Trading Scheme.

The Finnish Presidency should encourage the Commission to start thinking about a process which could lead, in the medium to long term, to a well designed EU harmonised framework for cost-efficient support of renewable energies.

UNICE believes that Finland's very interesting experience with developing nuclear energy on the basis of innovative industrial partnerships should be clearly explained in the discussions that

the Finnish Presidency is to organise around the green paper “A European Strategy for sustainable competitive and secure energy”. Indeed, UNICE believes that the debate on Europe’s future energy competitiveness and on climate protection can no longer be held without giving very serious consideration to greater recourse to nuclear energy.

Development of an external energy policy is also a very important priority for the short and medium term. UNICE calls for the replacement of the EU-Russia Partnership and Cooperation Agreement with a full free-trade arrangement with Russia that covers a broad range of issues including cross-border energy trade and investment.

The High North – the Barents Sea should also be given attention as part of the future possibilities to ensure secure supplies of energy in the future. Nearly 25% of the World’s unexplored resources of oil and gas are thought to be located in the Arctic region.

EMPLOYMENT AND SOCIAL POLICY, EQUAL OPPORTUNITIES AND EMPLOYMENT LAW

One of the causes of Europe’s growth and employment problems is insufficient productivity. Analysing the reasons for Europe’s overall weakness and understanding why some countries, some sectors or some companies are doing better than others as the Finnish presidency intends to do is extremely useful.

As has been stated in the Wim Kok report “Jobs, Jobs, Jobs”, more European regulation in the social field is the wrong approach to reduce Europe’s high unemployment. Job creation depends on business competitiveness on global markets. To reflect this, it is important to ensure that the revision of the working time directive does not lead to more constraints on companies.

THE EU’S EXTERNAL RELATIONS

WTO TRADE NEGOTIATIONS:

UNICE considers the suspension of the Doha Development Agenda negotiations to be unacceptable. Multilateral agreements are the “backbone” of the international trading system for both industry and services, a system that grows in importance with the globalisation of the economy. The consequences of this latest failure are substantial for all regions in the world but especially for the poorest countries which would have benefited from improved market access, reformed farm policies in industrialised countries and “aid for trade” technical assistance.

For the European Union, which has the world’s most open industrial and services economy, a failure will limit growth opportunities as European business will not bolster access to the growth markets of the future emerging countries – such as China, India and Brazil. UNICE urges the Finnish Presidency to ensure that the EU works with its WTO partners to resume negotiations as soon as possible.

EU – RUSSIA:

European business calls for the strengthening of EU-Russia economic relations to create more prosperity in Greater Europe. The EU and Russia should work on the basis of a concrete calendar to deliver the results promised in the Common Economic Space.

The EU-Russia energy dialogue should provide rapid progress in developing and EU-Russia energy infrastructure and establishing a stable, transparent and non-discriminatory EU-Russia trading regime. In the future, the EU and Russia should examine possibilities for a free-trade arrangement to replace the outdated Partnership and Cooperation Agreement.

EU-ASIA:

Asia represents a crucial market for European companies which offers significant business opportunities. In UNICE's opinion, EU-Asia relations should focus mainly on trade and investment issues. In particular, business expects the EU to address more firmly the numerous challenges that business is facing in China when preparing its new strategy for that country.

To present business recommendations to the EU and Asian leaders, UNICE supports the Confederation of Finnish Industries in the organisation of the Asia-Europe Business Forum (AEBF), and the EU-China and EU-India Business Summits.

BETTER REGULATION

It is very important that progress in the area of better regulation is ongoing. Support from the Council for this issue and the subsequent Commission initiatives to use better regulation as a tool for promoting competitiveness is crucial.

The new impact assessment procedure should always be fully applied in addition to the new inter-institutional rules so that the impact on competitiveness of proposals and related substantive Council and European Parliament amendments is properly assessed. European business remains strongly in favour of an independent body in charge of conducting these impact assessments.

Progress on simplification should also continue and the adoption of pending simplification proposals be speeded up. The Council and the European Parliament have an important role to play in this context and they should amend their working methods so that simplification proposals can be dealt with quickly and do not become burdens in themselves.

UNICE supports the setting of a quantified goal for the reduction of bureaucratic burdens, both at national level and Community level. Information about the size of existing bureaucratic burdens and a quantified goal for the reduction of these burdens will not only greatly help businesses to compete more effectively but it will also raise awareness about the need for cost

reductions and generate support for concrete proposals. It will be important to measure the progress made in this area each year.

ENVIRONMENT

CLIMATE CHANGE:

UNICE stresses the importance of creating a truly global framework for combating climate change that includes all countries and regions, based on the principle of common but differentiated responsibilities. It is of utmost importance that a global framework is created as soon as possible, for environmental reasons and for competitiveness reasons. UNICE therefore urges the EU to revise its climate diplomacy and to be open to innovative approaches for combating climate change, rather than continuing recommending emission targets and timetables for countries as the USA that have clearly indicated that they want to consider alternative methods to tackle the climate challenge.

The EU Emission Trading Scheme (ETS) must be revised in a manner that makes implementation of the scheme more harmonised throughout the EU Member States, to avoid negative competitiveness implications due to different interpretations of the EU ETS Directive. Future emission reductions must be split in a fair manner between industry and other sectors of society. Industry has already made substantial emission reductions and any further reductions come at substantially higher costs. UNICE therefore requests that the number of emission allowances are not dramatically tightened in the second trading period (2008-2012) and that these allowances are not auctioned, since that will only bring higher costs without additional environmental benefits.

AIR POLLUTION:

In the context of the Thematic Strategy on Air Pollution adopted by the Commission last year, industry expressed deep concerns regarding the ambition levels proposed. Similarly, industry would like to recommend strongly that a more prudent approach be taken when setting air quality limits and devising measures to improve the European Union's air quality further.

We suggest that very significant further work is needed to corroborate the impacts of existing legislation and to assess the achievability of the Commission's current air quality strategy (including the political and social acceptance of key measures). In the meantime, we would urge the Parliament and Council to refrain from setting new binding air quality limit values, especially if their attainability is doubtful.

WASTE:

The Commission's proposal for a revision of the Waste Framework Directive goes in the right direction in terms of clarifying recovery and disposal operations. However further clarifications are still necessary.

It is essential that by-products are defined as products and not waste, since they can be re-used and can have a high economic value in further manufacturing. Such re-use by the markets must be encouraged since it contributes to a more resource-efficient sustainable economy and has the potential to contribute to the achievement of a European “recycling society”, which is the core aim of the Thematic Strategy on Waste.

Also, under the current Directive, Member States have the possibility of interpreting the definition of waste differently, which has led to distortion of the Internal Market.

REACH - PREPARATION FOR THE SECOND READING

Some key aspects of REACH still raise serious concerns for industry, in particular on the authorisation/substitution procedure, as well as on the balance between data transparency and confidential business information.

During the second reading, decision-makers will confirm their choice on these key aspects and industry urges them to devise a proportionate framework for REACH to be workable in practice for companies. In this context, an essential aspect for industry is that the compromise on authorisation achieved in the Council Common Position remains as such in the final text.

But even if these improvements in the text are confirmed, REACH will remain a considerable challenge for European industries, which will have to implement new rules that do not exist in other parts of the world.

ENLARGEMENT

From a business perspective, enlargement has been a genuinely positive contribution to boost competitiveness, economic growth and jobs in Europe. Enlargement is an opportunity, not a threat. It offers tremendous opportunities for all European citizens and healthy pressure for structural reforms.

UNICE is supportive of the Commission’s assessment of Bulgaria and Romania and acknowledges the enormous progress that has been made in these countries. It calls on Bulgaria and Romania to continue their progress in three key areas: strengthening the rule of law, modernising customs procedures and ensuring full application of EU product safety standards.
