



THE SECRETARY GENERAL

Mr Poul Nyrup Rasmussen
President of the PES
Rue du Trône 98
1050 Brussels

11 February 2008

Dear Mr Rasmussen,

Further to your letter of 27 September 2007, I have the pleasure of presenting to you the views of BUSINESSEUROPE, European companies and European employers' federations on the draft political manifesto of the Party of European Socialists (PES).

We very much appreciate the decision of the PES to consult widely before such an important event as the 2009 EP elections and thus give the opportunity to stakeholders to set out their views on a number of political and legislative dossiers. We have taken this task very seriously and my colleagues have drafted in-depth answers, comments and positions on various points raised by your draft.

We cannot give answers to *all* the questions you pose, but we have answered them where we do have positions and views. We have also taken the liberty of adding other issues which we feel should be part of your manifesto. Notably, the area of the internal market (and its annexed policy areas) needs to receive more attention. It is a vital and core project of the EU and has helped to create millions of jobs and wealth across our continent.

In the light of BUSINESSEUROPE's 50th anniversary and the renewal of the institutions in 2009, we will also widely communicate on what are more generally the winning priorities for a prosperous EU with healthy and successful companies. I attach for your information the document that will be handed over to President Barroso at the European Business Summit this month.

Heading our list is implementation of the Lisbon agenda of reforms for growth and jobs, further (and better) integration of the internal market, reform of social systems and labour markets, definition of a secure, competitive and climate-friendly energy system, the fight against protectionism and ambitious trade policies that promote market opening.

I would in this context also like to highlight the joint labour market analysis that we undertook together with the trade unions (ETUC) last autumn. This document is a milestone for the European social dialogue and has helped to pave the way for the December summit conclusions on *flexicurity*. It has also been instrumental in the French deal between the trade unions and employers on modernisation of the labour market. I would therefore like to encourage you to integrate its main ideas and conclusions in the PES Manifesto.


In the run-up to the 2009 elections European companies will also advocate for better regulation, regular impact assessments and the conclusion of the Doha round. It will furthermore continuously warn European politicians of the dangers of introducing a system of collective redress into the EU's legal systems.

The pro-European commitment of companies and employers' organisations across our continent is stronger than ever and BUSINESSEUROPE will continue to repeat this and advocate their interests at EU level.

I am very much looking forward to seeing you for our working lunch here in our offices on 27 February (12h30) to discuss these matters in more detail. Should you in the meantime have any additional questions or remarks, please do not hesitate to contact me or our EP Adviser, Mr Christian Feustel (on 02-2376519 or email: c.feustel@businessseurope.eu).

Our replies, positions and additional comments on the four sections of your draft manifesto can be found in the annex to this letter.

Yours sincerely,

Best regards


Philippe de Buck

BUSINESSEUROPE Contribution to the draft PES Manifesto

A. European Democracy and the Internal Market

Intellectual property

For BUSINESSEUROPE a holistic, clearly defined and proactive policy to protect intellectual property is a vital need for Europe, in order to support and boost its innovation capacity. An effective patent system is fundamental to ensure that Europe remains a global centre of knowledge, innovation and job creation by giving incentives to business to invest time and resources in developing innovative products and facilitating knowledge transfer through the publication of patent applications.

Europe is at a competitive disadvantage compared to its main trading partners, the US and Japan, when it comes to patent protection costs and enforcing patent rights. This is why European companies believe that improvements to the current patent system are urgently needed in terms of costs, quality and legal certainty regarding enforcement procedures. A truly unitary Community Patent is necessary in order to address those challenges. Following France's ratification of the *London Agreement* on translations and its imminent entry into force, BUSINESSEUROPE considers imperative that all remaining European countries ratify it as well. The more countries accede to the Agreement, the more costs can be reduced to the benefit of all companies, in particular SMEs.

In addition, ensuring strong and effective enforcement of intellectual property rights remains key. We have supported all initiatives at European level to strengthen the legal framework to combat counterfeiting and piracy (eg adoption of the enforcement directive, or the new customs regulation). These efforts should continue with the proposed directive to combat intellectual property infringements with harmonised criminal sanctions. Increased international cooperation is also essential to address the problem of counterfeiting and piracy in a global context. The new proposed Anti-Counterfeiting Trade Agreement is a positive step in the right direction.

R&D / Innovation

Technological development and innovation will play a key role in any attempts to meet Europe's climate change and energy obligations. The key areas which should be focused on are those which correspond with strategic goals and objectives of European society. Key tools that exist (the Research Framework Programme, the EIT, innovation policy, etc.) must be tailored to encourage R&D and innovation but also to ensure that there is maximum return for the time, effort and funding invested.

Technological development and innovation is however only part of the answer. The full answer includes an integrated approach encompassing technological development and innovation but also concepts such as *user education* and *behavioural* change. User choice will have as much of an impact on reducing climate affecting emissions or encouraging renewable sources of energy as technological development or innovation. It is user choice that decides whether or not one opts for the car over public transport. User education improves understanding and has a vital role in ensuring user acceptance of proposals.

Company law

Good and efficient company law and corporate governance are of utmost importance to companies and their stakeholders. Any action in these areas must pursue the objective of increasing competitiveness while respecting the legal environment in which they evolve. Excessive regulatory burdens may ultimately restrict the freedom of companies to do business, thereby holding them back from releasing their potential. This is detrimental to business, company shareholders, employees and more generally to the EU as a whole.

For this reason, BUSINESSEUROPE believes that companies should be given additional flexibility through the adoption of instruments such as a 14th Company Law Directive (on the transfer of registered seat) and the European Private Company Statute, which will help companies to pursue their business providing them with a simplified framework and allowing a real degree of corporate mobility in the EU.

The European Private Company Statute is key for EU's competitiveness, in particular for SMEs, which are the core of the EU - 90% of its entrepreneurial fabric is composed of SMEs. We strongly believe that this optional tool should provide SMEs with a legal form suited to their specific needs and size, contributing more effectively to the development of the Internal Market and thus creating more and better jobs.

A simplified common European legal form will help these companies to reduce the costs they currently incur when going cross-border, while gaining from increased legal certainty. This should also motivate SMEs to grow and expand their businesses beyond national borders and thus contributing to further integrate the Internal Market and help companies to enjoy the advantages they can get from it.

Treaty of Lisbon

BUSINESSEUROPE has actively supported the reform of the current Treaty in order to ensure that the enlarged EU has the institutional framework, decision-making process and legal basis for policies it needs in order to meet its objectives.

This Treaty provides the legal framework for a stronger Europe capable of achieving the Lisbon goals and the future challenges the EU is facing. We are now looking for a swift ratification in order to allow the EU to concentrate on achieving its economic potential and social objectives.

Internal Market

The Single Market is a key tool for realisation of the Lisbon agenda and has delivered major benefits for all, making it possible for people, goods, services and capital to circulate across frontiers.

A well-functioning and competitive Single Market is indispensable if Europe wants to keep up with globalisation and promote its values around the world. As the European Commission pursues its Internal Market Review, it is key that action focuses on correct transposition of the services directive, better regulation, improved enforcement, SMEs, innovation (IPRs, company Law and public procurement) and EU competitiveness in the global market.

Initiatives of main concern for European business are - among others - the harmonisation of contract law and collective redress. Their impact on the competitiveness of EU companies can be highly damaging.

Collective redress

Over the last few years, there have been moves at both the national and EU level towards adoption of “collective redress” mechanisms. The issue is on the EU’s agenda in the realm of competition law, where private enforcement is being considered, and consumer law, as a means of facilitating consumer “access to justice”.

Although BUSINESSEUROPE strongly supports effective and easy access to justice for EU consumers (which is key to strengthen European stakeholders’ confidence in the Internal Market and to ensure fair competition) we consider that the case for EU judicial collective actions has not yet been made. The Commission acknowledged this and is currently pursuing studies which aim at examining whether there is consumer detriment in the countries where no collective redress exists and whether differences in national legislations on collective redress constitute obstacles to the internal market or create distortions of competition, as often alleged.

On this debate, it is of primary importance that a balance between the interests of the various players is struck and that the legal and economic consequences of any proposal (if any) are taken into consideration. We consider that if action is to be taken at EU level that will, even if progressively and indirectly, import some features of the US system which would negatively impact on the competitiveness of EU companies.

Moreover, the impact such action may have on national judicial traditions has also to be taken into consideration. We consider that non-judicial means of redress such as Alternative Dispute Resolution mechanisms, the correct enforcement of existing EU legislation and consumers' information and education should be the primary target for improvement of consumers redress in the Internal Market.

Consumer protection

A sound consumer protection policy that strikes a balance between the competitiveness of enterprises and an appropriate high level of consumer protection is important for businesses and the correct functioning of the market. Better enforcement of the various existing consumer protection rules must be the priority. We believe that improved information and education is also essential. Better regulation and more evidence-based policies are also of paramount importance.

Access to justice

The availability of effective judicial remedies is a priority for European Business. The most obvious delay is in reviewing merger decisions of the Commission which can range from just under 12 months to several years. But there are also long delays in reaching decisions in other competition areas and the principles to be decided in these cases have a major impact on substantive issues.

A bottleneck in the EC court system has a knock-on effect on the whole European market, creating a legal uncertainty which has effects on the companies concerned, on their market value and consequently their shareholders with a ripple effect on the whole economic system.

The Commission should urgently deal with this need for reform. Effective judicial remedies underpin the whole structure of the Community and should be put in proper working order.

State aid

European Business strongly supports a modernised state aid policy for growth and jobs and endorses the principle that member states should redirect aid towards horizontal objectives of common interest and target it to identified market failures, whilst reducing the overall level of state aid.

It is important that state aid is targeted to situations where the market is not itself sufficiently able to achieve desired objectives of common interest. Interventions in the market through state aid in situations where there are no clear market failures increase the risk of distorting the proper functioning of that market, leading to a situation where uncompetitive companies are assisted at the expense of taxpayers and of more competitive companies, which in the longer term will harm European competitiveness.

It is important that increased flexibility to grant aid for commonly agreed politically desirable objectives is accompanied by a tightening of the rules in other, more harmful, state aid areas and a strengthening of control of these more distortive types of aid. It is also essential that the proposed solutions will not harm transparent and effective state aid control in the internal market.

Better regulation

Better regulation should remain a priority for the European Commission. It is a central element of the policy for strengthening competitiveness, supporting sustainable growth and employment.

Simplification and the target of reducing administrative burdens by 25% by 2012 are very important for delivering concrete results for European companies. However, complicated legislative procedures make progress on these issues too slow. Fast-track actions are a sensible way forward but even those take too much time before they are approved and finalised by the Council and European Parliament.

Impact assessments are crucial for understanding the cost-effectiveness of new proposals and the European Parliament and Council should make better progress with respect to systematic impact assessments on amendments they propose.

SMEs and the future Small Business Act

Entrepreneurial activity and a thriving SME sector are essential for growth, job creation and innovation in Europe. Europe's economic future will to a large extent depend on its ability to release the potential of SMEs. BUSINESSEUROPE therefore welcomes the proposal for a European Small Business Act, which will focus on all sizes of SMEs and is intended generally to give a new impetus to EU and Member State activities in favour of SMEs.

Where do we stand today: Europe is still less entrepreneurial than many other regions in the world, productivity growth per hour worked in the EU is low and expected to stay low, and European SMEs tend to grow much more slowly than their US counterparts. What are today's most important growth inhibitors for SMEs: still red tape and regulatory burdens, taxation, inflexible labour markets and non-availability of skilled labour or skills mismatches as well as lack of financing.

True consideration by public authorities of the “think-small-first” principle and integrated policies in favour of SMEs are the best way forward. It is important that the Small Business Act helps to deliver better results in this respect.

B. Europe in the World

1. How should the EU promote effective and collective international action on development and world security?

- Better coordination could be achieved both within the Commission and between the Commission and Members States on development policy.
- The EU should also reflect on what it means by development. Unclear statements do not mean anything. The PES manifesto does not differentiate between developing countries, for example. Development policies should take account of differences in wealth but also geographic and geological factors (eg countries’ natural resources).
- From our perspective, the poorest developing countries suffer from a lack of private sector investment (both local and foreign investment) and this is a fundamental cause of underdevelopment. This situation contrasts with emerging countries like China, India, Brazil or Russia that are attracting a lot of private sector investment. We do not advocate laissez-faire in developing countries to attract investment, but a serious improvement in the framework conditions for private investors and more pro-competitive market regulations.

2. What sort of UN reform should the EU propose?

- The EU is not a member of the UN. This may be difficult.
- Working towards a similar status as in the WTO could make sense in some technical areas to reflect the evolution of the Union but this is highly improbable in the near to mid-future. Better coordination between the EU and member states would make the most sense.

3. How should the EU facilitate common viewpoints and positions regarding security and defence?

- This can only happen through cooperation between member states.
- The Commission and the European Defence Agency can play a big role in increasing cooperation between defence industries/companies over the next few years to foster a globally competitive and cost-effective sector.

4. How should the EU work efficiently with NATO?

- Not really an issue for BUSINESSEUROPE.

5. What actions should be taken to improve transatlantic relations on security and defence?

- The EU could play a role in convincing the US to promote more trade-friendly and less extra-territorial approaches to security measures.
- 100% scanning of cargo entering US ports is unworkable, costly and will not contribute to security more than a risk-based approach to cargo security.
- US measures targeting blacklisted countries tend to focus on EU companies – including companies with no activities in blacklisted countries and that are acting perfectly legally.

6. How should the EU deepen its cooperation with other regional entities?

- The EU should reconsider carefully whether region to region free trade negotiations are the best route. Long negotiations with *Mercosur*, the Gulf Cooperation Council, ASEAN and others have demonstrated the difficulties associated with such an approach.

7. How should the EU support a better cooperation between ILO and WTO?

- If the ILO needs to improve enforcement of its rules, then its members need to start discussing this more seriously in the organisation. We understand that this is in fact the case and that the ILO is working with donors to develop specific programmes to improve implementation on the ground.

8. What actions should be undertaken by the EU to achieve the UN Millennium Goals?

- There will be no development without private sector development. It is not just a question of giving financial aid to these countries; it is also about working with them to develop a pro-competitive climate for private sector investment.
- Also, policies of the EU to open the EU market to LDCs like the Everything-but-Arms agreement should be applauded and integrated into the WTO Doha Agreement as an obligation for all major trading countries.
- On the issue of bio-fuels, the EU should be more open to the idea of imports from developing countries rather than trying to create a closed European market for EU farmers. This will prevent developing countries from opportunities in bio-fuels and will increase costs for European consumers and industries. Moreover, the EU should consider the impacts of first generation bio-fuels on industries that use agricultural or forest based raw materials. The focus should be on value-added and competitiveness not on supporting bio-fuels development at any cost.

9. What should be the EU's international trade policy?

- EU trade policy should focus on the competitiveness of European business and seek new business opportunities in OECD and emerging countries to boost growth and jobs in Europe. Trade policy should be based on reciprocity of trade and investment conditions between OECD and emerging countries. Greater attention should be paid to ensuring the liberalisation and protection of EU investments in 3rd country markets.
- Trade policy should also examine complex barriers like non-tariff, regulatory and new issues such as non-discriminatory access to raw materials.
- For the poorest developing countries, the EU should continue to provide market access and encourage other big economies (including China) to do the same. Moreover, the EU should work on providing effective aid-for-trade funding to improve the import and export capabilities of the poorest countries.
- We need to keep in mind that trade policy is not a panacea for development. For poor regions like Sub-Saharan Africa, BUSINESSEUROPE works with the Commission on trade, infrastructure, investment and technology policies in the context of the EU-Africa Business Forum. This is the way forward.

10. What policies and agreements should be promoted to avoid fuelling conflicts over natural resources?

- The EU should support African Union and UN policies to promote peace and stability in war-torn African countries.
- As regards China's Africa policy targeting raw materials, African countries are free to choose their partners. However, more could be done to put European companies on a level playing field with their Chinese state-owned (or financed) competitors by making EU development aid procedures less bureaucratic. Also mobilising financial institutions like the EIB to improve political risk coverage for investments is an option. BUSINESSEUROPE is convinced that the more sustainable approaches to raw materials development offered by European companies combined with improvements in policy measures will provide a more attractive offer than Chinese companies to African countries that want to promote long term development through raw materials development.

11. How can the EU's development policy ensure that developing countries have the capacity to meet their current challenges, including climate change and environmental protection?

- A global agreement with fair burden sharing is essential to address the global climate challenge. Without contributions by the US, China, India and others, it is hopeless to imagine that global CO₂ emissions can be reduced by the EU alone.

- Tools such as the clean development mechanism can also foster voluntary technology transfer of energy efficient and/or low carbon technologies to developing countries. These tools should be encouraged under the new ETS.
- The EU should also ensure that there is a robust defence and promotion of intellectual property rights and a clear strategy to promote global standards for energy efficiency to establish the right conditions for companies to invest in new technologies for carbon reductions and energy efficiency.

12. How can we achieve security of supply and tackle high energy prices in developing countries?

- Energy efficiency is the key to success as developing countries tend to be highly inefficient energy users.
- In addition, the EU should work with energy companies to create more favourable conditions for investments in energy development in developing countries.

C. Save our planet

1. What priorities and policies should the EU pursue for sustainable development and the fight against global warming in the period 2009-14?

Challenges in the areas of security of energy supply and climate change mean that the European energy system needs to evolve. The EU should strengthen its political commitment towards energy efficiency. Therefore, the EU should keep all its energy options open. The contribution of renewable energies, nuclear energy, carbon capture and storage (CCS) and other new technologies is indispensable to meet such challenges.

It is also very important to keep an environment which is conducive to research and innovation if we want a greener production. This increase of R&D efforts should be coordinated substantially. The EU's Strategic Energy Technology Plan (SET Plan) can make an important contribution to achieving Europe's energy goals if it adequately involves industry as an indispensable part of the solution. The SET Plan must adopt an integrated approach, enabling the market to drive new technologies from basic research to market penetration by making an independent evaluation of technological potential.

BUSINESSEUROPE thinks it is of crucial importance that the Commission and governments work to improve the functioning of the Clean Development Mechanism (CDM) and Joint Implementation (JI) mechanisms, which are essential tools for

reducing carbon emissions while protecting Europe's competitiveness and supporting sustainable development.

2. How can Europe help developing countries to reduce CO₂ emissions?

More than 70% of the world's energy saving potential is in developing countries. It is therefore necessary to develop instruments that will stimulate voluntary dissemination of energy and emission efficient technologies from developed to developing countries. The EU's external policy must make this a priority.

Existing instruments such as Clean Development Mechanism (CDM) and Joint Implementation (JI) must be improved and reinforced to enable the export of clean technologies into the regions of the world which are having the strongest increases in energy demand and greenhouse gas emissions.

For example, the EU currently bans the use of forest-based carbon credits in its own carbon Emissions Trading Scheme. Yet, deforestation and land-clearing activities emit around 18% of global greenhouse emissions and are by far the largest source of emissions from developing countries. As the EU-ETS is by far the world's largest emission trading market, its ban on forest-based carbon credits has *de facto* discouraged the creation of forest-based CDM projects in developing countries.

Integrating forest based-carbon credits into the ETS will send a strong signal in favour of developing countries and their potentially valuable contribution to climate change mitigation. It will encourage developing countries to participate in the international climate change negotiations and to engage meaningfully in efforts to mitigate climate change. There is international agreement (see for instance *Stern Report*) that sustainable forestry in developing countries is one of the most cost-effective ways of mitigating climate change.

3. How can Europe reduce its dependence on fossil fuel?

It is essential that Europe moves towards a less carbon-intensive society in a way that leaves all energy options open, and makes use of them. Europe has to move to a new energy model inspired by a far-reaching vision.

Therefore, the time has come to give back to nuclear energy the attention it has not received for a long time. Indeed, nuclear is an energy technology with zero CO₂ emissions. It already represents 32% of the electricity generated in the EU. This shows why it is important to promote the nuclear option. It is essential to allow nuclear energy to compete with other energy sources on a level playing field.

BUSINESSEUROPE acknowledges the role of renewable energy sources for tackling the challenges of energy security and climate change. However, as it will be extremely costly to reach the EU's ambitious renewable targets by 2020. European policies must allow for utmost flexibility and market-based instruments to minimise the costs of

reaching these targets. As priority measures, it is important to harmonise support schemes for renewables across Europe, moving progressively towards market-based approaches.

To help the member states reach their national renewables targets, trading between member states in electricity from renewable energy sources should also be facilitated. The current EU system for tradable Guarantees of Origin (GoOs) should be developed to this end, with the member states mutually recognising GoOs from other countries.

4. What can citizens do to fight global warming? And how should the EU encourage its citizens to take action?

Raising consumer awareness should be a key element of energy and climate policies, both in regard to explaining the need and advantages of sustainable consumption, as well as instructing and informing consumers about how to use products in a sustainable manner. There will be no market for new technologies if the consumer is not aware of the need to take the aspects of sustainable consumption and production into account when purchasing new products, or if the consumer cannot afford to buy such products.

5. How can we combine sustainable economic growth with tackling climate change?

In international comparison, European companies are very good at developing and applying energy efficient solutions. Energy efficiency solutions present an enormous business opportunity within the 22 trillion Euros that will have to be invested in new energy technologies over the next 25 years globally, according to the International Energy Agency. Companies in Europe must be able to continue developing competitive technology solutions which will allow the world to reconcile its challenges of climate change and supply security with economic growth.

Plenty of cost effective solutions are already available to reduce greenhouse gas emissions. BUSINESSEUROPE has published a study on this issue and urges policymakers to focus on the implementation and further development of such solutions.

To promote a competitive and climate-friendly system, we also have to fully implement the internal energy market. Indeed, in a complete market, electricity producers will be challenged to increase the energy efficiency of their installations. To achieve this key goal, the EU needs to improve its governance through reformed competences and a more effective cooperation between national energy regulators.

6. Which economic and tax incentives will ease the transition to a low carbon economy?

The huge potential for increasing energy efficiency in buildings can be encouraged through targeted measures that shorten amortisation periods of investments such as insulation of buildings.

When designing fiscal measures the overall fiscal burden of economic actors must not become heavier, especially for those actors exposed to international competition. The cost imposed by the EU Emission Trading Scheme for example is a serious threat to competitiveness for energy-intensive industries. This could be alleviated by introducing the possibility of allocating emission rights according to criteria such as technology benchmarks rather than auctioning. Thereby companies that are increasing their emission efficiency will be rewarded and encouraged to innovate further rather than pressed to relocate their emissions outside the EU.

7. What are the key technological areas for a green industrial revolution?

Finding the most efficient and effective solutions for reducing greenhouse gas emissions also means keeping all technology options open and using them.

BUSINESSEUROPE thinks it is time to give back to nuclear energy the attention it has not received for a long time in energy strategy discussions. Nuclear energy is an energy technology with zero CO₂ emissions. In our eyes, Europe should also promote the nuclear option, and design a roadmap for eliminating the obstacles which unnecessarily hold back development of nuclear energy.

Carbon Capture and Storage (CCS) will be another essential technology to enable a reduction of industrial emissions from the energy production sector. It is vital to develop a well-designed regulatory framework to give predictability. It is also necessary to consider how to foster investment in this technology, as a carbon price is likely to be insufficient.

As a general principle, policymakers should refrain from picking technological winners but install as much as possible technology-neutral mechanisms that let the market decide which technologies should ultimately prevail.

9. What should Europe's energy priorities be in its foreign policy?

It is important that Europe fosters a truly global solution to the climate change threat. With a view to ensuring a balanced international climate policy, the EU must take all appropriate initiatives to ensure that other industrialised regions contribute to climate protection with similar efforts to those implied by the EU target. Pending a global agreement, the EU must adapt its internal instruments such as the Emissions Trading Scheme (ETS) to ensure that they do not place unreasonable burdens on European companies operating on world markets.

The EU should coordinate as much as possible the European member states' positions in international forums and vis-à-vis non-EU energy suppliers. The EU should introduce a more coherent framework to develop effective and properly financed policies to diversify energy imports. This will reduce the over-reliance of some member states on single gas suppliers. The EU should engage in constructive dialogues with key producer countries on security of supply issues and with major consumer countries to cooperate on energy efficiency matters.

10. How can the EU take the lead in achieving a post-2012 Kyoto framework?

The adoption of the Bali roadmap in December 2007 was an important step forward which opens up an opportunity for a truly global agreement. In view of the follow-up negotiations (with 2009 as envisaged end-date), key elements for an international post-2012 climate change strategy include:

- Search for a post-2012 cooperation architecture guided by the 2°C objective and the understanding that reductions of such magnitude can ultimately only be achieved through joint global effort. Climate and development diplomacy must aim to persuade key developing countries also to open themselves to an international climate policy with clear objectives.
- A realistic long-term goal for reductions in greenhouse gas emissions should be set, based upon an analysis of credible scenarios that are flexible in order to respond to new scientific assessments and that will encourage innovation.
- Policymakers should show openness towards development of international sectoral approaches for controlling industry emissions. These approaches could facilitate the emergence of a truly global response to the climate problem which will reconcile economic growth with the curbing of emissions.
- Actively support low-carbon energy technology in EU, and partnership with other developed countries and industrialising countries including renewable energies, carbon capture and storage (CCS), clean coal with CCS and nuclear.

D. New Social Europe

1. What should the EU's priorities be for Social Europe?

The future success of Social Europe, as expressed by the Party of European Socialists, is reliant on the modernisation of the European social model, so that citizens and businesses can grasp the opportunities of globalisation. This is notwithstanding the fact that one single social model does not exist at EU level, rather a plethora of national systems which have some common characteristics.

The priority, if Social Europe is to be sustainable, should be the creation of more growth and jobs, through **flexicurity** principles. The overarching priority must be to increase employment across the EU, which is necessary in order to sustain European social systems and public finances.

The role of the EU is to provide the framework and set targets, through the **Lisbon Strategy and Employment Guidelines**. However, flexicurity implies activities mainly at national level. The EU's priority should also be to ensure more rigorous assessment of member state reforms in line with their national reform programmes on growth and jobs.

As mentioned in the draft PES manifesto, 10 principles for our common future (congress document), and different choices are to be made depending on the national situation. This concerns, for example, adoption of active labour market policies, facilitating the creation of new jobs as opposed to trying to preserve existing ones and equipping workers to grasp opportunities on the labour market. In addition, labour demand must be increased, by removing obstacles to companies creating new jobs, for example by containing non wage labour costs. It is also critical that member states modernise their social protection systems, to deal with demographic change. This must include a sensible approach to pension provision, ensuring the sustainability of second and third pillar pensions.

Social Dialogue and the contribution of the social partners, EU institutions and member states is an integral element of Social Europe and must be supported. As part of this, follow-up of the social partners' *Joint Labour Market Analysis* will be a priority.

It should be noted that Social Europe does not exist in a vacuum; European citizens' social and employment rights should be provided in the framework of the single market. In the PES draft manifesto the importance of the single market is not sufficiently emphasized; in contrast, it should be put forward as one of the cornerstones of the EU project. There is no contradiction or conflict between the single market and social aspects, as is highlighted in the congress document "social justice and competitiveness are mutually supportive goals rather than trade-offs".

2. What are the biggest problems facing working people and citizens today?

Globalisation, demographic change and unemployment all imply challenges for working people and citizens today. These should however not necessarily be seen as problems; measures can be taken to mitigate the most negative effects and create opportunities.

Unemployment and exclusion from the labour markets are a concern for both working people and citizens, particularly those who are long-term unemployed. Active inclusion in the labour market is a key element of active participation in society and in order to increase this, certain measures are required at national level. These include reform of social protection systems, in order to ensure the principle of rights and duties of

working people and citizens, ensuring conditionality of benefits and facilitating creation of new jobs.

As emphasised in the PES' congress document, there is no guarantee of a job for life in today's labour market, therefore the challenge for working people and citizens is to remain employable. The right to employment security (rather than job security), also implies duties for those who wish to be and remain active on the labour market.

Demographic change, specifically an ageing population, brings with it concerns for working people and citizens, who may face an uncertain future in terms of pension provision. It is therefore critical that second and third pillar pension provision is sustained.

3. How can the EU promote social dialogue?

Social dialogue at the EU level is now a well developed part of the policy-making process. Social partner negotiations provide the two sides with the opportunity to voice their opinions and to develop agreements based on mutual understanding. The European Commission must promote social dialogue as a means to achieving consensus in the area of social policy, and as a successful alternative to EU legislative measures.

The **European Social Dialogue** is organised around the social partners' multi-annual work programme, which foresees a common framework for a series of joint actions and activities. The current work programme 2006-08 will be completed before the end of 2008 and a new work programme will start from the beginning of 2009.

The **joint labour market analysis** conducted by the EU social partners (and currently debated by the EU member states in the Council) and the follow-up to this, will be a promotion tool in itself, and is testament to the good level of cooperation. Social partners are indeed best placed to find flexible solutions reconciling economic and social needs of labour market players and devising concrete arrangements that benefit both companies and employees.

Industrial relations traditions, systems and practices vary considerably between member states, as does the extent to which social dialogue is used to develop policy. Therefore it is not the role of the EU to promote specific approaches or to compare national systems. In order to respond to the specific needs and circumstances of companies and at the same time promote a climate of trust between workers and employers, information and consultation practices need to be defined at the company level. For this reason, the European Works Councils directive does currently not need any revision.

4. How can the EU promote gender equality?

The social partner framework of actions on gender equality, since its adoption in 2005, has been widely promoted in member states at all appropriate levels. At this stage, most social partners are now geared to the follow-up of the priorities included in the framework of actions.

As highlighted in the 2nd annual follow-up report (November 2007) a number of projects and initiatives have taken place at national level, including in particular measures in the area of work-life balance and tackling gender segregation in the labour market. This shows that the framework of actions provides a solid basis for further work in promoting gender equality.

In addition, after 3 annual reports, the social partners will evaluate the impact on both enterprises and workers, which may lead to an assessment on whether or not additional action is required in one or more of the priority areas. The EU should allow this process to run its course before developing further activities in this area.

5. Should the EU ensure a better protection of workers' rights?

Current EU labour laws and social partner agreements provide adequate protection of workers' rights, by setting minimum standards across the EU in many areas, including working time, fixed and part-time work, health and safety etc.

European companies do not see the need to develop new EU legislation in this area. In particular, new legislation to fight 'precariousness' would be neither possible nor desirable. This particularly emotive term, used in the context of certain work contracts and working situations, is not a true representation of today's labour market.

BUSINESSEUROPE also calls for a sensible solution regarding the proposed **directive on temporary agency work**, which takes into account the possibilities that temporary contracts can provide in terms of a way back onto the labour market, as well as the importance of temporary workers to EU companies in general, as a valuable part of the labour force. Effective improvement in implementation would assist in protecting workers' rights. This, however, is the prerogative of member states, in line with the subsidiarity principle.

The PES proposal for a strategy to coordinate EU, national and regional policies on delocalisation and restructuring would not be desirable, as this is an issue to be dealt with at company level. In addition, the European Globalisation Adjustment Fund provides a framework for assistance in many cases.

BUSINESSEUROPE calls for the modernisation of labour law towards greater labour market flexibility. However, the competence to modernise labour law lies first and foremost with the member states. Additionally, as part of a flexicurity approach to

work, ensuring the availability of a variety of contractual arrangements is crucial to meet different employers and workers flexibility needs.

In today's labour market there is no guarantee of a job for life, therefore, protection of workers' rights should be built on the principle of ensuring employment security rather than job security.

6. Should the EU address increasing inequalities in European society?

Reintegration in the labour market, for those who are able to work, is one of the key components to addressing inequalities, as it is integral to ensuring participation in society. Unemployment creates inequalities in terms of 'insiders' and 'outsiders', those on the labour market and the unemployed; increasing the prospects for the unemployed is therefore important.

The Commission's consultation on active inclusion of people furthest from the labour market is an opportunity to discuss such issues amongst social partners and thereafter other stakeholders. This is the most appropriate way for the EU to address inequalities, particularly given that many measures are a member state prerogative. This includes the issue of a minimum wage - the proposed EU target minimum wage, as a proportion of GDP is not in line with the subsidiarity principle, as it is the role of member states to decide upon such matters.

Equality should also be seen from the perspective of workplaces. EU level legislation already exists in order to ensure that workers are protected from discrimination and inequality, such as the racial equality directive and the employment equality directive. BUSINESSEUROPE does not therefore see the need for further EU measures to address inequalities in the workplace.

7. Should the EU set better standards for accountability, transparency and CSR for multinational companies, and hedge and private equity funds?

CSR refers to the voluntary integration by business of environmental and social considerations into their operations, over and above legal obligations and contractual requirements. Many companies, in dialogue with stakeholders, have developed tailor-made CSR approaches and activities, and in relation with this often develop their own corporate principles, codes of conduct or similar internal management guides. Approaches cannot usefully be standardised. Companies develop their policies in line with their core-activities, country of operation, stakeholder expectations, corporate culture, etc. We therefore reiterate that the most effective action is that taken voluntarily by individual companies and not EU-level standards.

As an integral partner, we support the work of the CSR Alliance, which provides a platform for promoting CSR across Europe, highlighting best practice and exchanging experience and knowledge. The Alliance works directly with over 150 businesses, is supported by more than 60 business organisations and fosters stakeholder dialogue on a number of key issues.

CSR laboratories within the framework of the CSR Alliance bring together companies and their stakeholders to exchange experience on key CSR issues and develop joint projects. Topics include assisting enterprises to integrate social and environmental considerations in their business operations, further addressing the transparency and communication challenge to make non-financial performance more understandable and better integrated with financial performance, and operating in an equally socially and environmentally responsible way outside the EU.

Hedge funds play an important role in enhancing the efficiency of financial markets, while their increasing weight in the global economy poses a number of problems which need to be addressed through increased transparency. Indirect supervision of hedge funds through monitoring of credit institutions' activities is an important tool in this respect, provided that this does not lead to increased administrative burdens and compliance costs for hedge funds' counterparties. However, beyond indirect supervision, it is crucial, in the view of Europe's companies, that the industry should commit itself in a code of conduct to increased transparency.

The growing participation of hedge funds in the investor base of Europe's companies can pose problems in particular due to a lack of transparency regarding the identity of the shareholder, the voting strategies of large investors and the short position of investors. These issues need to be addressed by the industry directly, not, as is suggested in the PES draft manifesto, through an EU level regulation. In May 2007 we urged finance ministers to provide support for a code of conduct for hedge funds and to ensure its implementation is monitored on a regular basis by an appropriate institution such as the International Organization of Securities Commissions (IOSCO).

8. Should public services be protected from liberalisation under Single Market rules? If so, which public services?

Protection is not the solution for better and more efficient public services. Public services of an economic nature need to continue to be delivered in conformity with EU legislation including the relevant Internal Market rules and case-law on competition, state aid, etc.

Internal market rules do not necessarily and in all cases mean liberalisation. These rules sufficiently allow for taking into account of the differences in member states as regards the way public services are organised and financed. As the new protocol of the Lisbon Treaty states (as regards the role and responsibility of the EU in this field) services of general interest - including social services - are essentially a member state prerogative, and differ greatly across the EU. Therefore further action at EU level is

neither necessary nor desirable. The existing legal framework provides adequate support for development of high-quality, affordable public services in an open and competitive market.

9. Should the EU develop new and better policies and schemes to upgrade the skills of Europe's workforce and institute lifelong learning?

With still a too high level of unemployment across the EU, the priority regarding skills, education and training policies should be to increase their relevance to labour markets. More focus should be placed on workplace competences, to increase employability, in line with the Lisbon strategy.

BUSINESSEUROPE emphasises the importance of guaranteeing accessibility to lifelong learning for all, however, this is not a right, but rather an opportunity; employees and citizens have a duty to take such opportunities. Policies and schemes should be developed to stimulate partnerships between educational institutions and companies, in order to make the link between available and required skills.

The 2002 framework of actions with social partners on **lifelong development of competences** and qualifications has helped bring about concrete actions to promote lifelong competence development in all member states.

The final evaluation report of the framework of actions, in 2006, showed that a significant number of actions have taken place. European social partners have agreed that the priorities are still valid as a basis for labour market improvements and will therefore continue their dialogue in this area. This is the most appropriate framework for further development at EU level.

10. Which priorities and policies should the EU develop in the area of immigration and integration of migrants?

BUSINESSEUROPE highlights the importance of legal migration in order to boost the size of the working-age population in the face of demographic ageing and as part of the solution for shortages on the labour market.

In this respect, a coherent framework for admission, residence and cross-border mobility of third-country nationals is paramount. BUSINESSEUROPE therefore supports the Commission's intention to seek progress in the area of legal migration but insists that any proposal in this field must respect the principle of subsidiarity.

As the ability of Europe to compete in the world economy depends to a large extent on the capacity of European companies to attract the best and brightest. It is therefore essential to put in place the conditions and procedures that will increase Europe's attractiveness for highly skilled workers. The Commission's proposal on immigration for the purposes of highly qualified employment is a step in the right direction as long

as common admissions criteria are not too restrictive and still allow for member states to adopt more favourable conditions for entry.

11. What should a post-2010 Lisbon strategy look like?

With the Lisbon strategy having regained some momentum after its re-launch in 2005, continuity in the system and actual implementation of reform promises will need to be privileged in the short-term, before a more thorough debate on a post-2010 EU reform agenda is launched. At the present juncture, BUSINESSEUROPE insists on the following dimensions to lead the debate:

1. **Innovation, skills and entrepreneurship** must be central themes of Europe's future reform agenda. This should ensure the coherence of objectives across policy areas, including in the pursuit of the EU's climate change and social agenda. Community instruments and national policy coordination must be made more complementary and mutually reinforcing.
2. The framework of **stability oriented macroeconomic policies** will need to be reconfirmed. Strictly abiding by the letter and spirit of the Stability and Growth Pact, and ensuring that national fiscal institutions are conducive to fiscal discipline is of fundamental importance to encourage companies to invest, innovate and develop human capital. An independent European Central Bank focussing on anchoring inflation expectations at a low is also of paramount importance to ensure favourable financing conditions and a growth enhancing environment.
3. **Rules of governance** will need to be improved further. An important reason for the only partial success of the Lisbon strategy was the difficulty of raising the national profile of EU policy initiatives and recommendations. The incentive structure will need to be reviewed to substantially increase the implementation of agreed commitments. The role of the EuroGroup in the multilateral surveillance of national reforms will need to be reinforced.
4. The EU needs to improve its capacity to **set the global economic policy agenda** and defend its interest while being committed to open trade and investment policies. It should ensure better representation in international institutions, ensure synchronised efforts in the fight against climate change and ensure effective global economic governance within a multilateral framework that provides an adequate voice to emerging economies.

BUSINESSEUROPE intends to play a leading role in the debate on the post 2010 reform agenda and will make its recommendations before the EP elections in 2009.

12. What should the EU budget be spent on?

The limited size of the EU budget implies that it can only target a few well-selected objectives where real value added can be identified with respect to other policy instruments at EU, national and regional level.

It should clearly reflect the formidable challenges that the EU is facing to boost growth, jobs and territorial cohesion in an environment of rising global competition and strong demographic pressures.

In the view of BUSINESSEUROPE, **EU investment and funding** should concentrate on transforming the EU into a knowledge based economy, ensuring cohesion between member states and consistency between policy decisions at all levels. The therefore necessary budget provisions should be committed to support (1) R&D and innovation activities; (2) employability, adaptability and education and (3) networks and infrastructures - all this through programmes with clear objectives and participation rules.

Research and innovation is an area where significant added value from EU funding can be expected. Support for research and technological cooperation is crucial in order to develop leading centres of excellence in science and technology and reinforce the EU's innovation capacity within a consistent policy framework. Support to research and innovation is especially needed in order to develop energy-efficient technologies coping with the challenges related to climate change.

In an evolving internal market and with technological changes bringing important relocation of resources across sectors and regions, the EU budget has a role to play in supporting workers' capacity to **anticipate change** and support their functional and geographical mobility.

The **European Social Fund** should see a significant rebalancing towards lifelong learning, measures fostering innovative forms of work organisation (entrepreneurship education at schools, improvement of management skills, particularly for small businesses) and, in general, increasing the adaptability of workers and entrepreneurs. The Erasmus and Leonardo programmes should be better funded as they help a better match between the supply and demand of skills on European labour markets.

The development of **Trans-European Networks** is crucial to deepen the internal market and facilitate the rapid catching up of poorer and more isolated regions. A truly integrated internal energy market is a top priority to ensure the security of supply.

Clearly, EU funding must help reinforce and be consistent with other policy instruments with similar objectives at EU, national and local level. It should also be effectively managed at all levels, be based on objective allocation criteria, be **performance-oriented and transparent**.

Cohesion policy is the second largest item of the EU budget. For the current financial perspectives, cohesion policy funds must meet a Lisbon earmarking requirement. This is a step in the right direction and should be applied to all EU member states in the future. Cohesion policy should not be overloaded with too many targets.

Cohesion policy has to improve its effectiveness along the following lines:

- **Partnership:** The involvement of social economic partners is crucial, particularly in areas such as employment, human capital, entrepreneurship and support for small and medium-sized enterprises. Cohesion policy funds can be used to leverage up investment to a much higher scale than is envisaged by public policy-makers. Initiatives that are more likely to be successful, such as cluster development, should be based on a public-private partnership.
- **Simplified access to funds:** Access to the funds must follow non-bureaucratic and simple procedures. Payments should be made available faster, limiting the number of stages between the moment a beneficiary is designated and effective receipt of the funds.
- **Evaluation and transparency:** Efficiency and effectiveness should be improved by high quality standards as well as consequent evaluation processes. Transparency has to be enhanced and the publication of beneficiaries of the structural funds is a step in the right direction (European Transparency Initiative by Commissioner Kallas). The subsidiarity principle should apply not only to planning and selection, but also to audit and control.
- **Shut down non-performing programmes:** Programmes that do not perform must be shut down. Programmes should be time-limited and should be carefully evaluated against objective criteria, preferably by an independent agency. Regions that do not achieve measurable performance criteria such as an increase in employment rate or GDP per capita should see their funds set aside. Remaining funds should be redirected to well-performing programmes.
- **Clarify restrictions to the use of funds:** From the point of view of a company, it is not always clear which funding opportunities to undertake, for example research and innovation activities, nor which legislative arrangements apply for the use of funding from different EU sources for the same project. State aid rules are subject to the EU's competition policy requirements and should be respected. However, state aid zoning complicates the coordination between investments through the cohesion policy funds and regional state aid.

Only clarity of objectives, clear participation rules and effective coordination amongst all EU resources (cohesion policy funds, CIP, 7FP) can offer good opportunities for synergies and encourage companies to engage in public-private partnerships.
