

**UNICE POSITION ON THE MID-TERM REVIEW OF THE LISBON STRATEGY
REACTING TO THE REPORT BY THE HIGH-LEVEL GROUP CHAIRED BY WIM
KOK**

15 DECEMBER 2004

Executive Summary

The three main recommendations for the mid-term review of the Lisbon Strategy are:

1) Focus on competitiveness

UNICE agrees, in principle, with most of the 14 key policy recommendations in the Kok Report. But resulting policy decisions will only be effective if there is agreement on the overall *raison d'être* of the Lisbon Strategy: to focus on competitiveness in order to obtain more growth and jobs, which is vital to live up to Europe's social and environmental ambitions. Social cohesion and environmental protection are not substantial growth drivers in their own right.

2) Create national ownership

The most important reform policies of the Lisbon Strategies must be implemented at national level. Therefore UNICE particularly supports the Kok recommendation for Member States to draw up national action plans by the end of 2005, which are to be discussed by national parliaments and stakeholders. The European Commission must present to heads of state and government and to the wider public annual updates of the key 14 indicators in the format of league tables ranking Member States, pointing out good and bad performances and relative progress in the Lisbon targets.

UNICE member federations have launched national initiatives for competitiveness in order to push national governments to support national action plans at the next Spring Summit and in order to create national ownership of the Lisbon Strategy.

3) Better horizontal governance

The Competitiveness Council must achieve a key role in the revitalisation of the Lisbon Strategy, becoming the guardian of competitiveness. In order for that Council formation to work, each Member State must appoint a senior member of cabinet to be the only representative in meetings, in charge of the Lisbon Strategy as a "Mr or Ms Lisbon".

The Competitiveness Council must assess all legislative proposals on their impact for Europe's competitiveness on the basis of impact assessments prepared by the Commission. UNICE supports Vice President Verheugen as the Commission's coordinator of the Competitiveness Council to take up a leading role in conducting these impact assessments.

Introduction

On 5 November 2004, a report on the mid-term review of the Lisbon Strategy, drafted by a high-level group chaired by Mr Wim Kok, was presented to the European Council. The following UNICE positions on the mid-term review of the Lisbon Strategy react to key findings and recommendations of this report.

State of Play:

The Kok report provides an excellent analysis of the current economic situation in Europe. With a new dynamism in global competition and dramatic ageing of Europe's population the insufficient progress in the Lisbon reforms becomes increasingly unsustainable. Europe has achieved world-class standards in social cohesion and environmental protection but has been suffering from low productivity growth and employment rates for years.

In that context, the recent accession of ten new Member States is a golden opportunity to boost the dynamism of Europe's economic structures. Although work still needs to be done by their governments to adopt EU *acquis communautaire*, reforms in many of these countries in the last ten years should serve as inspiration for the whole of the EU. For example, sound competition in the area of corporate taxation must not be halted.

Focus on competitiveness:

The Kok report rightly recommends refocusing the Lisbon Strategy. It does not make it sufficiently clear, however, what that focus should be. Although the Kok Report advises the EU and Member States "to focus on growth and employment in order to underpin social cohesion and sustainable development" (p.39), it also states that "the Lisbon Strategy wants to embed Europe's commitment to social cohesion and the environment in the core of the growth and jobs generation process so they are part of Europe's competitive advantage" (p.16).

The focus of the Lisbon Strategy must be crystal-clear in its second half: achieve more growth and jobs through competitiveness. UNICE only agrees with the Wim Kok recommendations if it is understood that social cohesion and environmental ambitions are only possible in a growing economy.

Hence, the three pillar approach of the Lisbon Strategy must be based on three propositions:

- 1) Growth is a necessary condition for social cohesion and environmental protection.
- 2) The three pillars can be mutually supportive in the long term but social cohesion and environmental protection induce costs for enterprises in the short term.
- 3) Neither the social nor the environmental pillar can be at the heart of the growth process.

Policy recommendations:

UNICE agrees, in principle, with most of the 14 policy recommendations of the Kok report. However, many are still too general and lack the clear focus on economic reform. UNICE would like to make particular comments on the following recommendations:

Priority area 1: Releasing the knowledge society

- The development of a European Research Council (key recommendation p.22) will only make Europe more competitive if industry has a role in directing its attention to research in broad areas where Europe faces significant challenges. This can be best achieved if representatives from industry will participate in the board of the ERC.
- UNICE would like to reiterate that adoption of a Community Patent (key policy recommendation p.23) that meets users' needs in terms of quality, affordability and legal certainty is key for European business. The single-language solution, English, for the Community Patent is underlined unanimously by the European business community.

Priority area 2: Keeping our commitments to the Internal Market

- The Kok group recommends that the Commission produce a full list of internal market legislation still awaiting transposition (key recommendation p.24) in each of the 25 Member States, to be annexed to the Spring European Council conclusions. The table below lists the directives which are key for European business and whose transposition is late:

Directive	Not yet transposed by
Legal protection of biotechnology inventions	BE, DE, FR, IT, LU, AT
Release into the environment of genetically modified organisms	BE, DE, EL, FR, NL, AT, FI
Recognition of professional qualifications (amendment)	BE, DE, EL, FR, AT, SE
Competition of Community postal services	FR
1 st railway package	DE, EL, SE, UK
Competition in the markets for electronic communications	DE, EL, FR, LU, NL
Taxation of saving income in the form of interest payments	DK, EL, FR, IT, LU

- The creation of a strong services sector in Europe is essential for Europe's ability to create growth and employment. Therefore we attach particular importance to the Kok policy recommendation for the European Parliament and the Council to agree on legislation to remove obstacles to the free movement of services by the end of 2005 (key recommendation p.25). UNICE welcomes the principle of country of origin to abolish unnecessary administrative obstacles to cross-border trade in services which have been proven to be a serious restriction to Europe's economic development. However, some derogations from this principle are necessary. Moreover, distinctive clarifications are needed in some areas. That concerns in particular the articles referring to matters covered by the posting of workers directive, as the current drafting could be misinterpreted as seeking to undermine its practical implementation.

Priority area 3: Creating the right climate for entrepreneurs

- Concerning the simplification of legislation (key recommendation p.29), UNICE welcomes the agreement reached in the Competitiveness Council on 25 November, on a list of laws which need to be simplified. It now must be made sure by EU institutions and Member States that this agreement is turned into real legislative changes for European citizens and companies.

- The key recommendation for the Commission to develop its instrument for analysing the impact of legislative proposals (p.29) must result in the Commission assessing each new law proposal on its potential impact on competitiveness. This has already been demanded by the European Council in March 2004 and reiterated several times by the Competitiveness Council. UNICE supports Vice President Verheugen in developing impact assessments with a proper competitiveness dimension.

Priority area 4: Building an inclusive labour market for stronger social cohesion

- UNICE supports the initiative for national strategies for lifelong learning (key recommendation p.33) but would like to draw attention to the fact that ministers of education agreed on a different calendar when they decided in the joint Council – Commission report “Education & Training 2010” adopted in February 2004 that “The Council and the Commission will submit, every two years a joint report to the Spring European Council on the implementation of the work programme (“Education & Training 2010”) on the objectives of education and training systems (i.e. in 2006, 2008 and 2010)”. In February 2002, the European social partners launched a genuine cooperation process by adopting a framework of actions for the lifelong development of competences and qualifications. Through the annual follow-up reports presented to the European Spring Councils, employers and trade unions make a concrete contribution to fostering lifelong learning in Europe and reaching the goals of the Lisbon strategy.

Priority area 5: Working towards an environmentally sustainable future

- When the Wim Kok report states that “taking care of the environment should remain an important dimension of the Lisbon Strategy as it can both constitute a source of competitive advantage in global markets and increase competitiveness” (p.35), it must be understood that environmental policies can never be at the heart of the growth process. In the short run, there can even be trade-offs between growth and environmental protections. Therefore it is vital that all environmental policy “takes into consideration all costs and benefits, including short and long term, as well as global competitiveness” (P.37)
- The REACH proposal, whose aims are supported by UNICE, must be thoroughly assessed for consequences on the entire industry, including downstream users. REACH must be made less costly, especially for SMEs.
- Since climate change is a global problem, it must be tackled at the global level, including the US and major emerging economies. Further measures taken after the end of the Kyoto Protocol in 2012 must take that into account.
- Drawing up action plans for greening public procurement (key recommendation p.37) should not be a Lisbon priority. Competition for the most economically advantageous bid is vital; it must be the yardstick for public procurement. Public procurement must not be used for other purposes than those inherently connected with the procurement itself. This allows for social and environmental criteria directly linked to the object of the contract to be taken into consideration in accordance with established practice of the Court.

Institutional recommendations:

National ownership

The most important reform policies must be implemented at national level. The Kok key recommendation for Member States to draw up national action programmes before the end of 2005 (p.41) is of utmost importance. National action programmes must be discussed by national parliaments and stakeholders.

In line with the call for national initiatives for competitiveness by Italian federation Confindustria at the UNICE Competitiveness Day on 9 December, UNICE member federations will actively engage in initiatives to raise awareness and create national ownership of the Lisbon Strategy. UNICE member federations will ask their national governments to define or update national agendas for implementing the Lisbon targets.

Partnerships for reform

As regards the recommendation to establish partnerships for reform (p.40) in order to gather citizens, social partners, stakeholders and public authorities around the key priorities of growth and employment, European social partners are already actively contributing in the Social Dialogue. Furthermore, UNICE and ETUC are currently exploring common grounds for a common declaration in view of the Spring Summit 2005 and the new work programme of the Social Dialogue.

Competitiveness Council

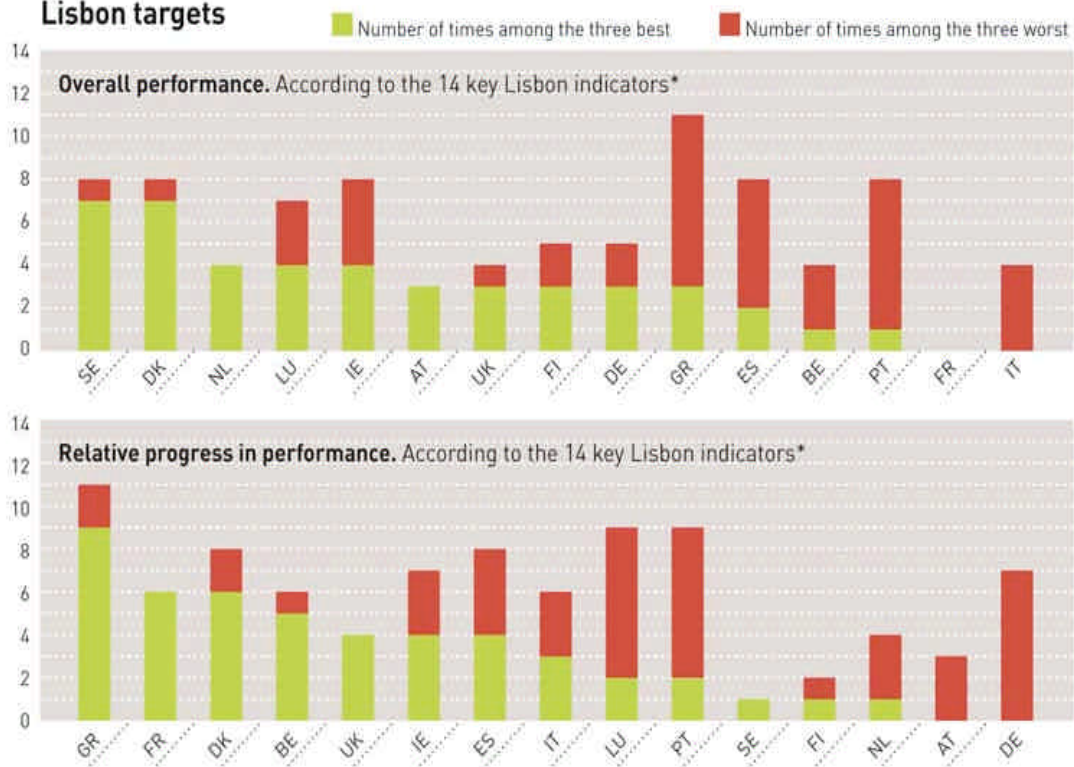
The special role of the Competitiveness Council as guardian of European competitiveness was formally assigned during the 2003 Spring Summit: "The Competitiveness Council must actively assume its role of enhancing competitiveness and growth. It must watch over all proposals considered likely to have an effect on Europe's competitiveness." (*Presidency Conclusions*) European business considers the Competitiveness Council of utmost importance in order to address the structural problems which the European economy faces and to reach the Lisbon goals by 2010. It must: give clear statements on whether EU legislative proposals would enhance competitiveness, and coordinate and evaluate competitiveness-related decisions of other Council configurations.

In order for the Competitiveness Council to work, each Member State must appoint a senior member of cabinet to be the only representative in meetings, in charge of the Lisbon Strategy as a "Mr or Ms Lisbon".

Benchmarking

UNICE strongly calls on the European Commission to deliver an annual league table of Member State progress towards achieving the 14 key indicators and targets (key recommendation p.43). Member States that have performed well should be praised, those that have done badly castigated. The two tables below, recently published in the UNICE brochure “Play to Win” for the Competitiveness Day 9 December 2004, show overall performance and relative progress of EU15 Member States on the 14 key Lisbon indicators. Significant differences among Member States exist not only in performance - which is further exacerbated by the ten new Member States - but also in progress. The European Council must openly discuss individual Member States’ performances, identifying best practices. Member States must also take into account relative performances when drawing up and debating national action programmes.

Overall performance and relative progress of EU15 Member States on the Lisbon targets



Source: UNICE average with data from the Kok report

* Structural indicators: GDP per capita in PPS, labour productivity, employment rate, employment rate of older workers (%), educational attainment (20-24) (%), research and development expenditure (% of GDP), business investment (% GDP); comparative price levels (EU 15=100), at-risk-of-poverty rate (%), long-term unemployment (%), dispersion of regional employment rates, greenhouse gas emissions, energy intensity of the economy, volume of transport.