



18 September 2007

**NOTE FOR MR HEINZ ZOUREK,
DIRECTOR GENERAL, EUROPEAN COMMISSION
DG ENTERPRISE AND INDUSTRY**

**MEETING WITH BUSINESSEUROPE
ON 18 SEPTEMBER 2007**

MID-TERM REVIEW OF THE MODERN SME POLICY

The European Commission is currently conducting a mid-term review of its SME policy. A first exchange of views with stakeholders took place during a High-level meeting on 14 September. The mid-term review Communication will be published in October.

BUSINESSEUROPE's general assessment of the modern SME policy is positive, progress has been achieved, but more needs to be done, in particular at Member State level. Our SME priorities for action are in particular:

- full commitment to better regulation and reduction of red tape (need for measurable results)
- further integration of the internal market (important for SMEs in this respect: reduction of tax obstacles, progress on mutual recognition of non-harmonised products and EPC)
- increasing labour market flexibility and qualification of the workforce
- better access to finance (through further development of SME financing instruments and development of venture capital markets in the EU as still large gap in many countries)
- creation of a more entrepreneurial culture (encourage Member States to step up efforts in integrating entrepreneurship education into school and university curricula – could be done by setting a concrete objective within the framework of the Growth and Jobs strategy)

COMPETITIVENESS COUNCIL

The role of the Competitiveness Council is crucial in order to ensure the competitiveness and facilitate the expansion of European enterprises. Since 2005, BUSINESSEUROPE has asked for a strengthened role of the Competitiveness Council that assumes leadership with regard to other Council formations. This leadership is vital in order to guarantee the appropriate coordination of relevant EU policies and initiatives affecting European competitiveness, paying special attention to those related to SMEs. The Competitiveness Council should not act in isolation. Burning issues such as climate change and energy clearly require a formal collaboration with the Environment and Energy Councils.



The Competitiveness Council's low profile is not longer justifiable now that the EU has finally found the basis of a new institutional framework in an enlarged union. The agenda of the Council's meetings should reflect a pro-active monitoring and in-depth debate on EU policies that create the conditions for the prosperity and competitiveness of European enterprises. External policy actions and the use of public-private partnerships should also be formally discussed.

ENERGY AND CLIMATE POLICIES

a) Overall design of EU energy and climate policies

BUSINESSEUROPE is worried to see that a holistic approach is apparently not developing with a view to optimising measures designed to reduce CO₂ emissions at EU level. Various assessments suggest that the EU's goal of reducing carbon emissions by 20% in 2020 has a very high cost if in parallel it pursues a hard 20% target for renewables by the same deadline. But little movement is visible to give this 20% renewables target some flexibility.

BUSINESSEUROPE is interested to know if approaches are considered for optimising the overall cost of moving towards the EU carbon and renewables targets. BUSINESSEUROPE is also concerned that the energy efficiency goal does not have the same priority at EU political level as the carbon and renewables targets. Yet, dynamic implementation of the energy efficiency target could at the same time bring down the cost of carbon and renewables actions.

b) EU strategy in international climate negotiations

The EU should do its utmost to ensure that Bali defines a process and a negotiating timetable for an international climate cooperation regime after 2012. The EU might be tempted to push for conclusion of these negotiations at any cost in 2009. This approach would be wrong if it were to lead to some large emitters (such as the USA) being left out of the agreement. It would be preferable to take more time if that is what is needed to achieve a global agreement. The EU should not reject any option (in particular voluntary approaches and development of an international carbon market) before it has carried out an economic assessment of the economic, environmental and social consequences.

c) Review of ETS

BUSINESSEUROPE recapitulated its recommendations in a discussion paper dated 10 July 2007.

Regarding allocation of allowances, BUSINESSEUROPE is open to an approach involving technological benchmarking for sectors with relatively homogeneous production processes. According to DG ENTR, technological benchmarking will in



future become the obligatory methodology for some consumer sectors. By contrast, DG ENVT seems to be much less engaged in this area.

SUSTAINABLE PRODUCTION AND CONSUMPTION ACTION PLANS

The European Commission is currently preparing action plans on:

- i) sustainable production and consumption, and
- ii) sustainable industrial policy.

The action plans will build on various existing EU policies such as the industrial policy (reviewed in July 2007), integrated product policy, eco-design of energy-using products, sustainable use of natural resources strategy, energy policy for Europe, cohesion policy and other product legislation and labelling schemes.

The action plans will touch on some elements which can be crucial for industry, for example:

- setting advanced and dynamic performance benchmarks coupled with minimum requirements of products to reward frontrunners;
- streamlining and reinforcing European product labelling rules and considering extending such rules to non-energy using products;
- tabling of a lead market initiative in December 2007;
- reinforcing market surveillance to create a level playing field between imported and domestic products;
- setting (either indicative or compulsory) “green” priorities for public procurement.

To prepare the action plans the Commission launched an online consultation, which will close on 23 September 2007. The Commission will, however, still take into account written positions from stakeholders (BUSINESSEUROPE will publish a contribution in October).

In principle, we support the intention to:

- a) support the efforts of high-tech European firms active in the areas of energy efficiency, resource efficiency, environmental technologies (promotion of eco-innovation);
- b) promote the take-up of eco-innovation by the industry sector and the non-industrial sector (public authorities, households)

but will have to examine the details of operational measures in preparation before confirming this support. We have expressed a number of caveats and reservations in the HLG process.



INTERNAL MARKET REVIEW

Further integration of the European market is one of BUSINESSEUROPE's main priorities for action and communication. It is crucial for the competitiveness of European companies, especially SMEs and realisation of the Lisbon objectives.

The Internal Market needs adjustments to respond to the challenges from globalisation, an enlarging EU and rising national protectionism, and take up opportunities. Action is also needed to address remaining barriers hampering the four freedoms namely for goods and services, suboptimal enforcement, quality of rule-making or lack of information and effective redress.

The Commission's forthcoming Single Market Review offers a golden opportunity to reinvigorate the Internal Market and establish the tools to adapt it to the challenging environment. This has to be done in close partnership with Member States which bear a particularly important responsibility in making the Internal Market function.

DG Enterprise should play a central role in ensuring that the future Single Market Review lives up to the needs of EU companies.

For BUSINESSEUROPE, action should focus on four fronts:

1. **Completion:** removal of existing barriers should continue. Several areas should be given priority: services, financial services, public procurement, transport, goods, energy or telecommunications.
2. **Efficiency:** we need better and simpler Internal Market rules, including systematic stakeholder consultation, impact assessment, ex-ante transposition and implementation checks, and a stronger emphasis on the external dimension of the Internal Market.
3. **Awareness/Information:** citizens and companies (especially SMEs) must be better explained about the advantages and achievements of the Internal Market and their rights and obligations under it.

4. ENFORCEMENT IN THE INTERNAL MARKET:

It must be a priority in the future EU Internal Market Policy in order to improve the Internal Market's functioning and a better positioning of Europe in the global market. EU and national governments must step up their efforts to ensure a better enforced Internal Market.

Enforcement means practical application, compliance check and sanction for non-conformity with Internal Market rules and principles. Important enforcement problems remain in various areas, mainly, application of the mutual recognition principle, market surveillance and border controls, accessibility of information, or means of redress (sanctions, appeal procedures, problem-solving tools).



These problems represent direct costs for Europe (e.g. the costs of redundant product conformity assessment in several countries are estimated to range from 2% to 15% of enterprises' entire annual turnover) and deprive citizens and businesses of their rights under the Internal Market and undermine their confidence in and perception of Europe.

BUSINESSEUROPE's recommendations for improved enforcement are:

1. Ensuring timely and correct transposition and administrative implementation of Community legislation via systematic use of transposition assistance plans and correlation tables.
2. Effective and homogenous market surveillance, efficient external border control and correct application of the mutual recognition principle.
3. Providing more information, facts and figures on national dimension of the Internal Market focusing on compliance with and enforcement of Internal Market legislation.
4. Creating a greater partnership and cooperation between the Commission and Member States. Also clarification of roles and the division of their competences and responsibilities for enforcement in the Internal Market should be carried out. A Mr/Mrs Internal Market in each National Government could be envisaged.
5. Improving cooperation and mutual assistance among national authorities at all levels: national, regional and local.
6. Ensuring easier access to both EU and national means for asserting Internal Market rights including promotion and reinforcement of Solvit (only 30% of the cases are brought by companies) and speedier and more efficient infringement procedures.
7. Better positioning of the Internal Market in the global context through promotion of EU standards and greater international cooperation.

REACH FOLLOW-UP

The issue:

Implementation of REACH regulation, entered into force on 1 June 2007 (with gradual introduction of the obligations through to 2108), will be a demanding challenge for European industry, which will have to adapt to new procedures and working methods as well as support additional costs.

The European Chemicals Agency (ECHA), which is responsible for managing the implementation of REACH started on 1 June 2007 and is expected to become fully operational on 1 June 2008.



A series of *Technical Guidance Documents* that aim to guide industry and authorities to fulfil REACH obligations are still under development.

BUSINESSEUROPE activities:

After the adoption of the REACH legislation, the mandate of the BUSINESSEUROPE REACH Task Force was officially terminated and is now replaced by the BUSINESSEUROPE REACH Implementation Network.

The first meeting of the REACH Implementation Network is scheduled on 7 September 2007. Initial actions under consideration include i) support for companies on critical REACH implementation issues, ii) preparation of meetings of the EChA Management Board and Committees as well as other REACH-related bodies to provide coordinated EU industry input iii) monitor Member States helpdesks, and iv) preparation of future revisions of the REACH regulation.

BUSINESSEUROPE is represented, as alternate member, in the Management Board of the EChA and in the meetings of the Competent Authorities for the implementation of REACH.

REGULATORY DIALOGUE WITH THE US

Efforts towards EU-US regulatory cooperation have been underway for over a decade but with few results. To address this issue, the 2007 EU-US summit established a Framework for Advancing Transatlantic Economic Cooperation with the aim of removing a series of largely regulatory barriers to trade and investment. The agreement is to be supervised by a Transatlantic Economic Council (TEC), co-chaired by Vice-President Verheugen and Mr. Allan Hubbard, a cabinet-level economic advisor to President Bush.

The scope of the Framework is very broad, encompassing issues such as secure trade, investment, financial markets regulation and regulatory cooperation dealing with industrial/consumer/food products. The framework sets out a number of specific goals, such as the achievement of mutual recognition of each other's business-customs security partnership programs (AEO and C-TPAT) and establishing equivalence of accounting standards. Under regulatory cooperation six areas have been highlighted for progress by the end of 2008: chemicals, pharmaceuticals, automobiles, cosmetics and medical devices. Other elements of the framework, such as the investment dialogue, are less well defined.

The first meeting of the Transatlantic Economic Council will take place in Washington on November 9 and there will be a great deal of pressure on the governments to announce specific areas where progress has been made. Given the US electoral calendar this will likely be the only such meeting before the 2008 presidential election, making it extremely important for the long-term survival of the Framework initiative.

BUSINESSEUROPE Position:

BUSINESSEUROPE is very supportive of the TEC process and insists that concrete achievements must be made in the short term to demonstrate that this is a genuine



initiative. BUSINESSEUROPE has launched a Strategic Partnership with our counterparts in the US Chamber of Commerce to push for progress. The first event of the Partnership is a Roundtable taking place on October 2 in BUSINESSEUROPE, which will bring together representatives of the Commission (Mr. John Farnell, DG ENTR), US government, the European Parliament and business associations such as TABD, AmCham EU and the Transatlantic Policy Network. BUSINESSEUROPE and the US Chamber will also issue a statement of priorities and regular reports on the progress of the TEC.
