



The Central and Eastern European Industry Manifesto



T O W A R D S M O R E G R O W T H A N D J O B S

AN INITIATIVE OF FIVE CENTRAL AND EASTERN EUROPEAN
INDUSTRY- AND EMPLOYERS FEDERATIONS

BRATISLAVA, BUDAPEST, LJUBLJANA, PRAGUE, VIENNA
SEPTEMBER 2005

PREAMBEL

The "Central and Eastern European Industry Manifesto" is a declaration of five European Industry Associations that want to express their common interest to work closer together, to cooperate and join forces on shared initiatives in order to promote prosperity and stability in Central and Eastern Europe. Therefore the Central and Eastern European Industry Federations from Austria (IV), the Czech Republic (SPCR), Hungary (MGYOSZ), Slovakia (RUZ) and Slovenia (ZDS) – all of them member to UNICE – have initiated a new partnership for economic growth.

The five partners recognize and acknowledge that economic growth is essential to create jobs, increase employment levels and foster wealth and higher standards of living. This is the only way to preserve and further improve the European system of a market economy that is designed to guarantee fair levels of income, to preserve the strengths of our social systems and to meet our ecological goals and our responsibilities towards future generations. We are convinced that closer economic integration and development within our region could be the basis for the creation of a new economic, cultural and social centre. This new heart of the EU will promote economic innovation, intellectual excellence and social cohesion – for a future together in peace.

This new partnership is the logical consequence of a historic process that has reached an important highlight with the fall of the iron curtain. The transition period reached its climax with the EU enlargement on 1 May 2004 – on this day the artificial separation of a continent was ended and Europe grew together again. During the time of the accession the Central and Eastern European Industry Associations have demonstrated their strong commitment towards an integrated Europe; they fostered important reforms and helped to initiate the necessary changes in the political, economic and social systems of their countries. They have been strong advocates and motors for an integration of the former Communist countries into an economically and politically integrated, peaceful and prosperous European Union.

Now the new member states have successfully completed the necessary transformations into democratic and market-oriented societies – and they have become role models for other states. They help Europe to move forward faster, to initiate necessary changes and reach a higher level of competitiveness. We are convinced that a strong cooperation between equal partners within the Central and Eastern European Industry Group is of mutual benefit – to each country and to Europe as a whole. Together we can realize synergies, promote common goals and have a stronger voice on the regional, national and international level – thereby strengthening also the voice of the European Industry- and Employers Confederation UNICE.

Within this manifesto the five Industry Associations of Austria (IV), the Czech Republic (SPCR), Hungary (MGYOSZ), Slovakia (RUZ) and Slovenia (ZDS) identify five key areas that are of significant importance for the future development and further integration of the CEE region: "The European Growth and Employment Strategy", "The EU Budget 2007 – 2013", "Free Movement of Labour Forces", "The Internal Market for Services" and "Infrastructure".

Together we want to generate real progress in these topics and create a cooperative network between Bratislava, Budapest, Ljubljana, Prague and Vienna that has an important impact on the region's economic, social and political development, prosperity and stability. If we reach these goals, the Central Eastern European Industry Group can make a real difference and be a new motor for growth within the heart of Europe.

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T O W A R D S M O R E G R O W T H A N D J O B S

FOR A STRONGER EUROPE

COOPERATION OF FIVE CEE INDUSTRY- AND EMPLOYERS FEDERATIONS

Our objective: a prosperous future for both the CEE-region and the whole of Europe! Use the dynamics of enlargement to boost Europe's competitiveness.

GROWTH AND EMPLOYMENT STRATEGY

"Growth and jobs" are the key priorities the EU and all member countries should focus on. There is no alternative if we want to maintain our living standard and our welfare system in Europe.

EU-BUDGET 2007 – 2013

The EU- Budget 2007 – 2013 has to spotlight especially on competitiveness areas, like research and development, innovation, and infrastructure. Prepare and strengthen Europe for globalisation and increasing competition.

FREE MOVEMENT OF LABOUR FORCES

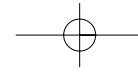
The free movement of labour is one of the four fundamental freedoms needed to enhance the opportunities of European citizens to earn their living. Abolish all transitional restrictions on the free movement of citizens within EU-25 as soon as possible.

INTERNAL MARKET FOR SERVICES

The proposed Services Directive with the country of origin principle as core element is indispensable to complete the internal market. Mobilise the untapped growth and employment potential in the services sector!

INFRASTRUCTURE

The construction of Trans European Transport Networks (TEN-T) and especially of cross-border sections has to be accelerated. Intermodality, interoperability, and the liberalisation of the railway sector on an European level is obligatory.



EXECUTIVE SUMMARY, KEY MESSAGES

COOPERATION OF FIVE CEE INDUSTRY- AND EMPLOYERS FEDERATIONS

► Five Central and Eastern European UNICE member federations – MGYOSZ (Hungary), ZDS (Slovenia), RUZ (Slovakia), SPCR (Czech Republic) and IV (Austria) – have started an initiative of a closer continuing cooperation. We together believe cooperation in our region and analysis and representation of common interests is of mutual benefit, within a cooperative network between Bratislava, Budapest, Ljubljana, Prague and Vienna. The following common paper comprises 5 European topics which are of significant importance for the future development of the CEE region. It is elaborated by federations which are convinced that the people, the culture and the entrepreneurs of these five countries will contribute eminently to a better future of the region as well as to Europe as a whole.

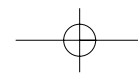
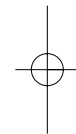
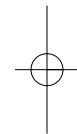
GROWTH AND EMPLOYMENT STRATEGY, NATIONAL REFORM PROGRAMS

► Five years after the launch of the so called "Lisbon Strategy" several mid-term-reports and -analyses made very clear, that Europe did miss its economic objectives. Compared with other countries and economic regions in the world Europe is doing well in the social security and environmental field, but is lagging behind in terms of competitiveness, growth and employment creation. All analysis came to the same conclusion (e.g. Wim Kok, European

Commission) that a too broad and therefore diluted agenda with sometimes contradictory objectives on the one hand and the lack of implementation of growth- and competitiveness policies at national and community level on the other hand are the major obstacles for a better economic performance of Europe.

► We therefore appreciate and support the two overarching priorities "growth and jobs" which have been set by the European Commission and the European Council at the Lisbon mid term review in spring 2005 in order to streamline the strategy and to focus on the most important areas. Enlargement creates healthy pressure for reforms in this respect and is a golden opportunity to boost Europe's competitiveness. Many of the new Member States have undergone profound changes in their economic structures and are catching up with much more dynamic growth rates than the EU average; this dynamism should push economic laggards in the EU to accelerate their own economic reforms.

► Governments are urged to take the necessary measures in their national "growth and employment-programs" to improve competitiveness and to motivate people to engage in business. The business environment must be improved i.e. by a functioning and efficient internal market for products and services, reduced administrative burdens and bureaucratic costs, flexible labour markets, low burden of taxes and non wage labour costs on enterprises. There is in general a strong need in most of the EU Member States for public



EXECUTIVE SUMMARY, KEY MESSAGES

structural reforms to give leverage to the potential for more efficiency in public spending, to lower taxes and cut regulatory costs for individuals and enterprises. Innovation and R&D are key to improve competitiveness and to create the right conditions that globalisation can be faced as a challenge and not as a threat.

▶ A functioning internal market, high competitiveness and growth rates are indispensable preconditions for a Social Europe. Social cohesion can only be guaranteed in Europe if we are able to reform and modernize our economic and social model in a form that it can sustain increased competition and new challenges from globalisation. Individuals must also bear responsibility for creating an adequate social and economic situation for themselves and their families, education and life long learning are the most important elements to achieve these objectives. The protection of the environment and rapid economic growth need not and should not be objectives that are opposed in principle. On the contrary, if public policies are set correctly – e.g. via internalisation of external costs on a global level in order to avoid distortion of competition – they can complement and facilitate each other.

EU-BUDGET 2007 – 2013

▶ The European Budget for 2007 – 2013 has to reflect the new priority setting on growth and jobs which has been decided by the European Council and the European Commission. Expenditure on R&D, innovation and infra-

structure should therefore be an absolute priority in order to best prepare and strengthen Europe for the challenges of globalisation and for increasing competition from other economic areas in the world. A low budget approach in these fields would hurt the EU's future most

▶ A reduction of the EU-budget proposal of the European Commission will – for political reasons – probably be unavoidable. But in this very likely case the reduction must not be to the detriment only for the competitiveness areas (as it was more or less the case in the last proposal of the Luxembourg Presidency), also the question of Common Agricultural expenditure will have to be addressed again. The reform of the Common Agriculture Policy initiated by the former Commission has been a major and important step in the right direction. However we strongly believe that reforms must go on in this area, in a consistent and predictable way.

FREE MOVEMENT OF LABOUR FORCES IN THE EU

▶ The free movement of persons is one of the four fundamental freedoms guaranteed by the EU Treaty and integral part of the "acquis communautaire". The free movement of labour forces has positive economic effects, both for the host country and home-country of labour forces. It can address shortages in the labour markets especially at the level of skilled labour – an important precondition for productivity and economic growth. It can also help to combat the demographic problem of an ageing society by contributing to the growth of the working age population.

► In the countries with no or very limited restriction on free movement of labour (Ireland, Sweden and the United Kingdom) the flow of labour forces in the first year after enlargement has not caused problems on the labour markets or for social standards. Fears expressed prior to enlargement on this issue have not been realized and have been proven to be unjustified. Member States from EU-15 should not try to compensate or hide unresolved problems and lagging reform within their own labour markets (e.g. lack of skills and mobility, illicit black market work, etc.) by restricting cross border labour movement. We therefore strongly recommend the abolishment of all transitional restrictions on free movement of persons in 2006 and the discontinuation of these policies for a further three year period.

INTERNAL MARKET FOR SERVICES

► Services are omnipresent in today's economy, generating almost 70% of GNP and jobs and offering considerable potential for economic development and job creation. The policy environment for trade in services has not kept pace with the growing potential for such trade – considerable barriers in the services sector still exist.

► The Services Directive is a core instrument for the further liberalisation of services in the enlarged Europe and one of the key elements enhancing economic growth in the EU. The proposed directive will create the long overdue genuine internal market in services, increase trade and cross-border

investment in services, stimulate cross border trade through the introduction of the country of origin principle, reduce administrative burdens and bring benefits to private consumers as well as to the business sector.

► We therefore call for an honest und unemotional debate on the Services Directive – problems have to be discussed objectively, benefits and misconceptions particularly on the so-called "social dumping" have to be made clear. The ongoing negotiations on the directive shall no longer be determined by national protectionisms and prejudices against the new member states.

INFRASTRUCTURE

► Europe's Trans European Transport Networks are the lifeblood of the EU's internal market. Therefore their continued development and maintenance, aiming at meeting the challenges of the enlarged EU, the strengthening of EU competitiveness, the dynamic of the internal market and the EU growth potential requires adequate financial measures in order to be completed on time. An increase of the rate of EU co-financing, while at the same time foreseeing a larger TENs budget line are the main measures to improve the conditions for carrying out the priority projects and their cross-border sections.

► The TEN-Ts will only become reality, if efforts – together with interoperability, intermodality, the liberalisation of the railway sector and a

EXECUTIVE SUMMARY, KEY MESSAGES

competitive system of infrastructure charging- are coordinated at EU level and overcome narrow national interests.

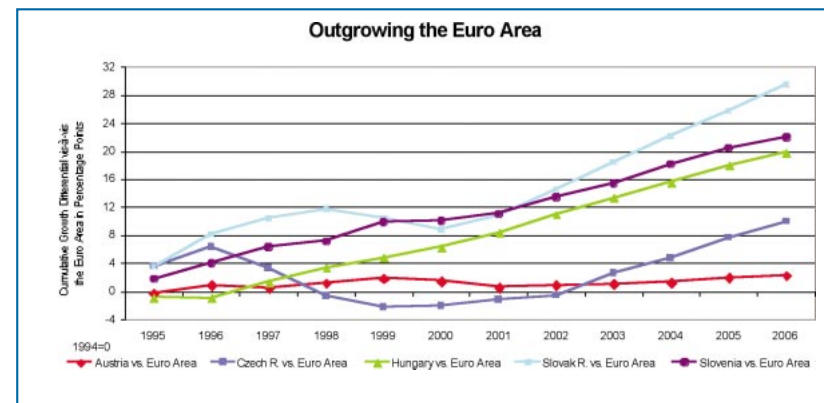
► Industry needs energy supply that is competitive and reliable, in terms of security and continuity. Following the EU-enlargement the European gas- and electricity infrastructure needs to be linked to enable the unconstrained cross border electricity- and gas-exchange and to allow the new member states to fully take part in the internal energy market currently being opened up to competition.

THE HEMISPHERE OF GROWTH

Central Europe as a region is characterized by a degree of heterogeneity on goods and factor markets that is second to none throughout the European Union, both in terms of an intra- and an inter-regional comparison. Heterogeneity, as measured by the degree of price differentiation as well as quality differentiation of goods and services including the promptness of their availability is of high economic value. In an ever-changing global marketplace, heterogeneity fosters the capability of firms to respond quickly and efficiently to new challenges both on the procurement side and on the sales side, that is, to re-adjust the optimal mix of inputs and outputs according to market signals.

Despite – even because of – the enormous degree of heterogeneity, Central Europe as a region is federated by a common denominator: the commitment to above-average growth. As depicted by the following figure, the home economies of the five European Industry Associations backing this initiative exceptionless outperformed the Euro Area in terms of GDP growth.

Within a mere decade the cumulated annual growth differential between the Slovak Republic and the Euro Area added up to a value close to 25%. In particular since the turn of the century, the catching-up processes in Slovenia, Hungary, and the Czech Republic have been only slightly less dynamic. Despite its elevated base level, even the Austrian economy accomplished above-average growth, albeit at considerably slower pace than its peers.



This manifesto aims at contributing to the maintaining of a prolonged period of above-average economic growth in the region. The present window of opportunity to further the spread of prosperity in the region emanates from two major sources. First, accelerated integration, in particular as a fruit of EU enlargement, in conjunction with a high degree of heterogeneity on goods and factor markets will help propel a new international division of labor, thus bringing about an even more efficient allocation of scarce resources.

Second, the region may benefit from yet another dividend of heterogeneity. Due to the absence of development and integration blueprints upon the opening up of the iron curtain, the five economies are characterized by very diverse track records. Now there is a portfolio of tested politico-economic approaches at hand. This points to an enormous potential for mutual benefit

THE HEMISPHERE OF GROWTH

through the cross-border application of regional best-practices. The export of concepts and measures that work need not be confined to the region itself, however. On the contrary, their demonstrated success may induce the European Union as a whole to adopt at least some of these in order to reinvigorate economic dynamics in its domain.

ECONOMIC KEY FIGURES

Annual real GDP growth

Economy	2004 (in %)	2005 (forecast, in %)
Austria	2.4	2.1
Czech Republic	3.9	4.0
Hungary	4.2	3.9
Slovakia	5.5	4.9
Slovenia	4.6	3.7

Unemployment (seasonally adjusted)

Economy	June 2005 (in %)
Austria	5.1
Czech Republic	7.8
Hungary	6.3
Slovakia	15.4
Slovenia	5.9

Inflation (HCPI, not seasonally adjusted)

Economy	June 2005 (in %)
Austria	2.0
Czech Republic	1.3
Hungary	3.7
Slovakia	2.5
Slovenia	1.7

GDP per capita relative to EU-25 (=100%)

Economy	2005 (forecast, in %)
Austria	122
Czech Republic	71
Hungary	62
Slovakia	54
Slovenia	79

GROWTH AND EMPLOYMENT STRATEGY, NATIONAL REFORM PROGRAMS

At the Lisbon Summit in 2000, the heads of states of the European Union set themselves the target of making the European Union "the most competitive and the most dynamic knowledge economy in the world, capable of sustainable economic growth, in which there will be more and better quality jobs and greater social solidarity." To this end they announced the so-called Lisbon Strategy, whose implementation should lead to the achievement of the stated objective. At the same time it should be the main guide for the economic policy of every EU member state.

As the majority of European economists and politicians now openly acknowledge, the Lisbon Strategy has not been very successful. There are two main reasons for its failure: The first is the fact that it has too many objectives taken from a very wide area, which are also often contradictory. Not all of them are equally important to all 25 EU member states. The second most important factor is the lack of political will in EU member states to implement it systematically.

Nevertheless the main objective of the Lisbon Strategy – increased economic competitiveness as basis for growth and employment – is correct, as is the basic philosophy of how to achieve it. We therefore appreciate and support the two overarching priorities "growth and jobs" which have been set by the European Commission and the European Council at the Lisbon mid term review in Spring 2005 in order to streamline the strategy and to focus on the most important areas.

WE CONSIDER THE MOST IMPORTANT OBJECTIVES AND PRINCIPLES IN THE MACROECONOMIC AND FISCAL AREA TO BE AS FOLLOWS:

► to develop the market economy and minimise interventions in the free functioning of the market

A freely functioning market is the best method of ensuring growth of the economy and wealth. The state will intervene in a free market only in those areas where the market is failing and where for this reason the state is able to provide services in the public interest more effectively or more fairly.

► to reduce the deficit of public finances

The deficit of public finances creates a debt that will have to be repaid by future generations with interest. Governments must therefore reduce the deficit, or create a surplus to a level that will guarantee long-term sustainability in public finances.

► not to increase the rate of redistribution in the economy

A low rate of government redistribution of resources in the economy is a precondition for a low governmental tax burden which is one of the basic requirements for rapid growth. Government expenditure – and the related government inputs in the form of taxes and compulsory insurance – must therefore not increase. On the contrary, governments should follow responsible policies and increase the effectiveness of their spending to create room for further reductions. There is in general a strong need in most of the

GROWTH AND EMPLOYMENT STRATEGY, NATIONAL REFORM PROGRAMS

EU Member States for public structural reforms to give leverage to the potential for more efficiency in public spending, to lower taxes and cut regulatory costs for individuals and enterprises.

► **No to tax harmonization in Europe, a simple and transparent tax policy is needed**

A "healthy" tax competition is very positive for Europe's economy and competitiveness and can be seen as driving force for necessary structural reforms and permanent efficiency increase in public spending. We therefore oppose any attempts to harmonize tax rates in the European Union. In many cases tax breaks are a very ineffective and easily abused instrument, which represent a drain on public finances in practice and do not achieve the desired result. For this reason governments should be very careful with attempts to achieve policy objectives through tax breaks, instead, targeted government expenditure should be used. Tax incentives can only be a good policy tool as long as the desired objectives envisaged by these incentives are fully in line with the Lisbon targets.

IN THE SOCIAL SPHERE WE CONSIDER IT IMPORTANT:

► **that Europe creates sufficient high growth and employment rates to enable a decent social standard in Europe.**

A functioning internal market, high competitiveness and growth rates are indispensable preconditions for a Social Europe. Social cohesion can only be

guaranteed in Europe if we are able to reform and modernize our economic and social model in a form that it can sustain increased competition and new challenges from globalisation.

► **to emphasise that individuals and their families must share responsibility for their own situation in a just and reasonable way**

Individuals must also bear responsibility for creating an adequate social and economic situation for themselves and their families. Education and life long learning are the most important elements to achieve these objectives. The role of society is to work actively to create the conditions, including equality of opportunity so that individuals can succeed in this effort. Public support for individuals and their families should be balanced at all stages of life.

► **not to discourage individuals from active and creative activity through social policy**

The social policy of the state must always motivate individuals to improve the social and economic situation of themselves and their family. It must not indirectly penalise those who do so, nor lead to the creation of a dependency on state support.

EVEN THOUGH THE AIM OF THE STRATEGY IS TO CREATE CONDITIONS FOR FAST AND SUSTAINABLE ECONOMIC GROWTH, ITS SUPPORT MAY NOT BE BASED ON POLICIES THAT HARM THE ENVIRONMENT:

The protection of the environment and rapid economic growth need and should not be objectives that are opposed in principle. On the contrary, if public policies are set correctly – on a global level in order to avoid distortion of competition – they can complement and facilitate each other. This can be achieved by systematically abiding by two key principles:

► **Including environmental costs in the price of goods and services (so-called internalisation of environmental externalities) on a global level and under the parameter of cost efficiency**

The production of certain goods and services has an impact on the environment that must be borne by society as a whole. In these cases there is usually a failure of the market when the specific producer does not feel the environmental costs and therefore does not include them in the price of the goods. The state must correct this deformation of the market, which gives an unfair advantage to certain goods at the expense of society as a whole. The most important – and unfortunately also most difficult – aspect however is the need for a globally coordinated approach. The internalisation of external costs without level playing field in the global market leads immediately to a distortion of competition and possibly to a shift of production to countries without internalised environmental costs (with double negative effect on

the economy and the environment). The Kyoto protocol and the emissions trading regime – a kind of effort to internalise climate change effects – is an example how it should not work: the non-ratification of USA and the non-participation of emerging countries with rapidly increasing CO₂-emissions like China and India undermine the environmental objectives and will have detriment effect on the economies of those countries who are respecting the Kyoto protocol.

► **not to deform the market environment with an inappropriate policy on subsidies**

If the market environment is disturbed by non-systematic elements such as an inappropriate policy on subsidies, the final result is deformation of the price of products and services and a reduction in the competitiveness of environmental technologies and services.

A HEALTHY BUSINESS ENVIRONMENT, THAT MOTIVATES PEOPLE TO ENGAGE IN BUSINESS IS ONE OF THE KEY INSTRUMENTS THAT GOVERNMENTS NEED TO ENSURE THE LONG-TERM COMPETITIVENESS OF THEIR COUNTRY:

The business environment must facilitate effective competition between enterprises as the basic motor of the economy. Public institutions must serve to increase competition and simplify it, and not to make life complicated for business. The main priorities in relation to the business environment are as follows:

GROWTH AND EMPLOYMENT STRATEGY, NATIONAL REFORM PROGRAMS

► **use of the single European market**

For the use of the single European market, it is necessary to remove all exceptions so that every enterprise can do business in every EU member state. It is essential to liberalise the market not only in goods but also in all services.

► **low burden of taxes and compulsory insurance**

The creation of new jobs requires an appropriate level of taxes and compulsory insurance and also a simple and transparent system.

► **flexible employment legislation**

Flexible labour markets in terms of flexible working hours, high level of mobility, skills and education and life long learning are one of the most important conditions to improve Europe's competitiveness and productivity and to achieve the objectives concerning growth and jobs. Labour force mobility is best supported by flexible employment regulations enabling people to work in any EU member country.

► **reduced "bureaucratic costs" via impact assessments, administratively simple and quick procedures for establishing new businesses**

Administrative burden and costs for companies must be reduced, less red tape via comprehensive impact assessment of all legislative initiatives at national and community level is necessary. If it is neither expensive nor time-consuming to establish new businesses, the growth of small and

medium-size firms, which are essential for stable and long-term economic growth, will benefit above all. The E-government and its permanent building seems to be one of the most substantial measures how to improve and speed up the mutual interaction between public administration and business sector.

► **Improve conditions for R&D and innovation**

Innovation and R&D are key to improve competitiveness and to create the right conditions that globalisation can be faced as a challenge and not as a threat.

EU-BUDGET 2007 – 2013

We strongly welcome the new and streamlined Lisbon-approach proposed by the European Commission by focusing on "growth and jobs". The Head of States and Governments endorsed this new "growth and jobs strategy" at the Lisbon mid term EU summit in March 2005. The European Budget 2007 – 2013 must reflect this decision of the European Council and must concentrate more (than this has been the case in previous budgets) on competitiveness, growth and employment.

In the context of budget constraints in the Member States also budget spending on the European level has to be strongly justified. The basis for a budgetary agreement should therefore be what the EU wants to achieve and should provide it with the necessary means to do it

The European Commission has made a strong commitment to the Lisbon goals in its proposal for the Financial Perspective 2007 – 2013, by a significant budget increase for the competitiveness area, enhancing policies such as research, innovation, Trans European Networks, education and training. We strongly support this approach and agree with the European Commission that the budget in these categories must be sufficiently well funded in order to strengthen the European competitiveness.

R&D AND INNOVATION

Europe does not spend enough on research. A knowledge-based society needs a constant input of new ideas and inventions in order to reach competitive edges. Investing more in R&D and innovation is an absolute necessity for Europe in order to be best prepared for globalisation and increasing competition from other economic areas in the world. On top of research investments at company and member state level, the EU provides a real added value in stimulating excellence, collaboration and competition across Europe. But inventiveness on its own is not sufficient. Greater cooperation between business and academic research should help to ensure that research results are translated into marketable products and services.

The budget increase for European research and innovation policy, as proposed by the European Commission, is therefore strongly welcomed by us. A low budget approach for this area would have detrimental consequences for the consolidation and development of the European scientific and technological base and would undermine the necessary strengthening of Europe's competitiveness. This would imply that Europe is not enough investing in its future. We very much welcome in this respect the report of the European Parliament on the Financial perspectives which emphasises this fact very clearly.

Industry welcomes the Specific Programme for Cooperation becoming the largest part of FP7. With a much higher budget than in FP6, good project

proposals will have less risk of being rejected. By and large, the instruments for collaborative R&D from FP6 should be continued, with the improvements recommended in the "Marimon report" and with sufficient room for smaller projects.

If the EU wants to achieve the "Barcelona goal", namely to increase R&D expenditure up to 3% of GDP by 2010, the higher public spending must translate in a leverage effect for private spending. A fundamental overhaul is necessary in the entire procedural, financial and administrative implementation system of the R&D-Framework Programme. We welcome the Commission's approach for simplification of the procedures.

INFRASTRUCTURE, TRANS EUROPEAN NETWORKS

We strongly welcome the emphasis of the European Commission on Trans European Networks. The realisation of TENs has a major role to play in the economic integration of the enlarged EU and is of particular importance for the development of the Central Eastern European region.

Special attention has to be paid in the transport infrastructure to the realisation of the cross border sections since far too little progress has been made to overcome these bottlenecks. Reasons for the delay are amongst others the different priorities of the national states in the realisation of their infrastructure projects and the lack of coordination of the necessary administrative procedures. But also the tight budget constraints of the

Member States have been an obstacle. We therefore strongly support the Commission's proposal to increase the funding percentage to maximum 30% for priority projects and especially welcomes the funding percentage of 50% for cross border sections.

The Commission proposes a budget of around € 20 billions (65-85% for priority projects) for the period 2007- 2013. Since the costs for the realization of the TENs is € 220 billions in this very same time period (€ 140 billions for priority projects), this amount has to be seen as an absolute minimum.

EU financing is not the only issue. Certainty of financial commitments from the Member States is a precondition for a competitive Trans-European Network to become reality. Therefore a clear commitment should be given by all Member States within their multiannual budgets in order to attract private investment and promote Public-Private Partnerships (PPPs) and increase the catalyst effect of community support with it. TENs will only become reality if efforts – together with interoperability, intermodality, liberalisation of the railway sector and a competitive system of infrastructure charging – are coordinated at EU level and go beyond national interests.

We also call for strong and integrated networks in the energy sector as they are a keystone in the European internal market. As the European Commission foresees the need of an total investment of € 28 billion for the priority Energy TEN-projects, the Commission proposal of € 340 million

allocated to the energy sector is the absolute minimum for this area. The priorities for trans-European energy networks stem from their growing importance for securing and diversifying the Community's energy supplies, incorporating the energy networks of the new Member States and ensuring the coordinated operation of the energy networks between the Community and in neighbouring countries. Indeed neighbouring countries to the European Union play a vital role in the Union's energy policy. We also call for swift and efficient authorisation procedures as they are of major importance especially for the priority projects and crossborder projects.

The establishment of the internal market in electricity and gas has increased the importance of adaptations to Europe's energy infrastructure to enable it to sustain the development of a competitive market in Europe. For that reason appropriate financing has to be provided.

EDUCATION AND TRAINING

Focus on high quality in education and training and developing effective Lifelong learning systems (LLL) are certainly one of the most important determinants of competitiveness and sustainable growth in Europe. Europe has to become a pole of education and training excellence. In this regard, in particular the new education and training programme should play an active role in making Europe the most competitive and dynamic knowledge-based economy in the world by 2010.

That being said, it should be recognised that most of the responsibility to finance remains in the hands of national and regional authorities. EU spending will therefore have to focus on areas where EU funding provides the most significant added value to national and regional efforts and to trigger increasing national investments into education and training.

Particular attention should be paid to tailoring the new lifelong learning programme to better respond to labour-market needs and to improve quality. Labour shortages in advanced managerial science and technology are still creating important bottlenecks for economic and employment growth in Europe. Encouraging universities to develop attractive and high quality courses in new scientific fields, students to choose scientific paths at university and graduates to continue their careers in the scientific field are necessary to meet the increasing demand from enterprises. Simplification and rationalisation of the programmes as proposed by the Commission could allow such an evolution. However, such a step would be more promising if a more outcome-focused approach was adopted.

COHESION, REGIONAL DIMENSION OF THE LISBON STRATEGY

In an enlarged Europe the support of structural economical changes in less developed regions is a great challenge. In order to deepen the integration process we strongly welcome the Commission's approach of cohesion policy

towards competitiveness and the contribution to the mobilization of Europe's unused regional potential. In order to increase regional economic performance EU funding should focus on strengthening the role of private business sector and improving human and physical capital. Aiming at regional competitiveness and employment, funding should specially concentrate on promoting research and development, innovation and entrepreneurship, access to networks and eco-efficiency.

Under these topics emphasis is to be placed on a system of partnership and good governance: Multi-level governance involving Community, national, regional and local authorities and stakeholders are basic to achieve successful solutions adapted to circumstances.

In this sense efficient management of EU funds can only be put into practice by paying attention to the administrative capabilities of local and regional actors that are in charge of particular EU financed projects. Thus the decentralization of project management should be accompanied by accountability to shift responsibility of the local actors responsible for implementation.

AGRICULTURE

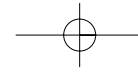
The reform of the Common Agriculture Policy initiated by the former Commission has been a major and important step in the right direction. Although we normally feel bound to political agreements we strongly

believe that reforms must go in this area, in a consistent and predictable way.

In order to reach an overall budget ceiling of 1,06 % of EU Gross National Income (GNI) the Luxembourg Presidency proposed in its last compromise paper for the European Council on 16./17. June 2005 a 40% cut in the heading for Lisbon programmes compared to the Commission's proposal. That compares with only an approximate 10 % cut for structural funds and an approximate 5 % cut for agriculture. In the Commission's proposal, the Lisbon heading would account for 12,2 % of the total EU budget. In the Luxembourg compromise proposal, that would only be 8,5 %, while the share of agriculture would increase from 40 to 43 %.

This proposal, elaborated under very difficult circumstances and driven by the political need for a reduction of the total budget, does however not fulfil the basic objective of strengthening the Lisbon areas. It does not either sufficiently strengthen the European job and growth strategy.

A reduction of the total budget proposed by the Commission will – for political reasons – probably be unavoidable. But in this very likely case the reduction must not be to the detriment only for the competitiveness areas (as it was more or less the case in the last proposal of the Luxembourg Presidency), also the question of Common Agricultural expenditure will have to be addressed again.



FREE MOVEMENT OF LABOUR FORCES IN THE EU

THE FREE MOVEMENT OF PERSONS IS A FUNDAMENTAL FREEDOM GUARANTEED BY THE EU

The free movement of persons is one of the four fundamental freedoms guaranteed by the EU Treaty and integral part of the "acquis communautaire". It should therefore be implemented and enforced by all Member States as a priority. As it stands, most of the EU-15 Member States have imposed transitional restrictions on free movement of labour from the 10 new central and eastern European Member States, arguing that it is to protect their labour markets and to avoid negative impacts on their social systems. In many countries (and especially in Austria and Germany) the political decision to impose these transitional restrictions was driven more by public opinion and the desire to increase public acceptance of the (then) impending enlargement than by relevant estimations and realistic figures on expected cross border flow of labour forces.

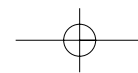
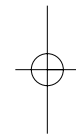
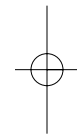
THE FLOW OF LABOUR IN THE YEAR SINCE ENLARGEMENT HAS NOT CAUSED PROBLEMS ON LABOUR MARKETS OR FOR SOCIAL STANDARDS

The largest fear connected to the influx of labour force from the new EU members is the so-called social dumping. It is assumed that immigrants would work under lower working conditions and for less than domestic workers. One year after the enlargement, a German study published by the

Berlin-based Deutsches Institut für Wirtschaftsforschung (DIW) estimates that only 150,000 people have moved from the new Member States to work in the EU-15. In the countries with no or very limited restriction on free movement of labour (Ireland, Sweden and the United Kingdom) this new work force has not caused disruptions in the labour market nor has it had a negative impact on wages and social standards. Fears expressed prior to enlargement on this issue have not been realized and have been proven to be unjustified. We strongly believe that these fears were and are without base. There are many mechanisms (such as collective agreements), laws and regulations in force which prevent social dumping. It is the responsibility of public authorities and social partners – employers associations and trade unions – to observe these rules and prevent violations of collective agreements and other labour regulations.

POSITIVE ECONOMIC EFFECTS FROM CROSS BORDER MOBILITY OF LABOUR FORCES

Many Member States are confronted by shortages of labour especially at skilled level and partly unskilled levels. A combination of policies is needed to address these challenges. The increased availability of labour from the new Member States can be part of the policy-mix since it can address immediate shortages in the labour markets and as a result ease the pressure on economic growth.



FREE MOVEMENT OF LABOUR FORCES IN THE EU

People, who move to another country with the intention of working there, are normally very highly motivated individuals. They are flexible and willing to work hard to make a living and reach an improved living standard to that to which they might be used to. When one considers current demographic trends and the effect that they will have on the European economy highly motivated (skilled and unskilled) people such as these are very much needed.

The free movement of labour has positive effects for both the host country and the home-country of labour forces of these migrants. It is mainly young and single people who migrate in search of work. Their decision to move is usually with the intention of working in the country of destination for a couple of years with the intention of saving money and returning home. In the countries that are exporting their young it is expected that they will return with improved language skills, work experience and money to start their own professional career and businesses which will in turn benefit the economic development of their country.

RESTRICTION ON FREE MOVEMENT INCREASES THE DANGER OF ILLEGAL WORK

The free movement of labour forces, based on a legal, transparent and mutually recognized framework, is the best approach to prevent or minimize illegal migration and illicit black market work (e.g. the so called self employed one-

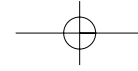
person enterprises working in the construction sector). Some Member states are facing difficulties in this area and in our opinion, the best way to overcome this development is a quick and unlimited establishment of free movement of labour which would undermine the need for illegal or black market work and which would be applicable to all Member States from EU-25.

FREE MOVEMENT OF LABOUR CAN EASE THE DEMOGRAPHIC PROBLEM OF AN AGEING SOCIETY

EU countries are faced with the unprecedented economic and social challenges from the demographic problem of an ageing population which will result in a drastic rise in the number of older people in the coming decades coupled with a shrinking population of young people. The free movement of labour in the EU can help combat this eventuality by contributing to the growth of the working age population and thereby helping alleviate the adverse effects of the ageing population.

UNRESOLVED PROBLEMS AT THE NATIONAL LEVEL MUST NOT SERVE AS JUSTIFICATION FOR RESTRICTING THE FREE MOVEMENT OF LABOUR

Member States from EU-15 should not try to compensate or hide unresolved problems and lagging reform within their own labour markets (e.g. lack of skills and mobility) by restricting cross border labour movement. It serves no



logical purpose (apart from hoped for short term political advantage) and only means that the necessary reforms etc. are just put off to a later date.

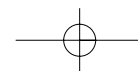
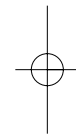
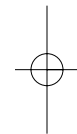
BILATERAL AGREEMENTS ARE A QUICK AND TRANSITIONAL STEP

As an transitional step before the restrictions on the free movement of persons are to be completely lifted, national governments should apply specific and bilateral admission mechanisms in order to respond quickly to the skilled labour needs of companies. Bilateral agreements should however not substitute the free movement of persons neither should it slow down the process of complete opening of an internal labour market.

CONCLUSION: TRANSITIONAL ARRANGEMENTS SHOULD BE EVALUATED AND TERMINATED AFTER THE FIRST 2-YEAR PERIOD

At the end of the first two years period – mid-2006 – the European Commission will draft a report, which will form the basis for a review of the functioning of the transitional arrangements. At the same time Member States must notify the Commission as to their intentions on this issue for the next period of up to three years – i.e. whether they will continue with restrictive measures or allow the free movement of persons.

We strongly recommend the abolishment of all transitional restrictions on free movement of persons in 2006 and the discontinuation of these policies for a further three year period.



FREE MOVEMENT OF LABOUR FORCES IN THE EU

REGULATION OF THE EU-25

Country	Transitional measures on labour movement (years)	Transitional measures on free movement of services	Other measures
Austria	2 (+3 +2 planned)	In selected country-specific sectors	-
Belgium	2 (+3 +2 possible)	-	Current work permit system remains
Cyprus	-	-	-
Czech Rep.	-	-	-
Denmark	2 (+3 +2 possible)	-	Current work permit system remains
Estonia	-	-	-
Finland	2 (+3 +2 possible)	-	Current work permit system remains
France	2 (+3 possible)	-	Current work permit system remains
Germany	2 (+3 +2 planned)	In selected country-specific sectors	-
Greece	2 (+3 +2 possible)	-	-
Hungary	2 (+3 +2 possible), on a reciprocal basis, does not apply to ten newest Member States	-	-
Ireland	-	-	-
Italy	-	-	Current work permit system remains; 20,000 per year immigration quota
Latvia	-	-	-
Lithuania	-	-	-
Luxembourg	2 (+3 +2 possible)	-	-
Malta	-	-	-
Netherlands	2 (+3 +2 possible)	-	Current work permit system remains, tighter policies if immigrants exceed 22,000 per year
Poland	2 (+3 +2 possible), on a reciprocal basis, does not apply to EU-10	-	-
Portugal	2 (+3 +2 possible)	-	Current work permit system remains; Immigration quota to be established every two years
Slovakia	-	-	-
Slovenia	-	-	-
Spain	2 (+3 +2 possible)	-	-
Sweden	-	-	-
United Kingdom	-	-	Compulsory workers' registration; limited access to welfare benefits

INTERNAL MARKET FOR SERVICES

A BARRIER-FREE INTERNAL MARKET FOR SERVICES: A BOOST FOR GROWTH AND JOBS IN EUROPE

Services are omnipresent in today's economy, generating almost 70% of GNP and jobs and offering considerable potential for economic development and job creation. The services sector is not only dynamic and innovative – but the need for further strengthening arises also from the growing weight of services in OECD economies. A large body of empirical and theoretical OECD research relating to different service sectors shows that reducing the level of regulation generally leads to significant employment gains in the sectors concerned.

However, whereas the potential for trade in services has grown substantially, notably in certain business services, the trade to value added ratio of the services sector remains quite low compared to that of the goods-producing sector. Trade in services accounts for only 20% of the total OECD trade. This is not only because services are internationally still more difficult to trade in than goods, but it also results from the policy environment for trade in services, which has not kept pace with the growing potential for such trade. In particular, unnecessary administrative obstacles to cross-border trade in services have proven to be a serious restriction to Europe's economic development.

The creation of a barrier-free internal market for services would be a strong

signal for the revitalisation of Europe's economy. This initiative to promote cross-border trade and establishment in the internal market for services is the basis for high quality services supplied at attractive prices, improved competitiveness, economic growth and job creation in Europe. Approving the Services Directive and liberalising the European services sector are therefore one of our most important political 'missions' for the future.

THE SERVICES DIRECTIVE

THE KEY ELEMENTS OF THE DIRECTIVE

On March 2004, the European Commission published an ambitious proposal for a Directive on Services in the Internal Market. The aim of this proposal is

- ▶ to establish a genuine internal market in services as part of the process of economic reform launched by the European Council in Lisbon in 2000.
- ▶ to provide a legal framework to eliminate obstacles to two fundamental freedoms enshrined in the Treaty: the freedom of establishment for service providers and the free movement of services between Member States and EFTA/EEA States.

With regard to the freedom of establishment, the proposal includes provisions on

- ▶ administrative simplification measures including single points of contact and electronic means of completing procedures,

INTERNAL MARKET FOR SERVICES

- ▶ principles which authorisation schemes for service activities must respect.

With regard to the free movement of services, the proposal aims at reducing existing obstacles through

- ▶ establishment of the country-of-origin principle combined with the principle of mutual recognition, with a number of derogations,
- ▶ guaranteed right of recipients to use services from another Member State without hindrance, with a possibility for Member States to reimburse health-care costs in another EEA country subject to authorisation,
- ▶ creation of an assistance mechanism for recipients using a service of an operator established in another Member State.

THE BENEFITS – WHY DO WE NEED THE DIRECTIVE

CREATION OF A GENUINE INTERNAL MARKET IN SERVICES

Free movement of services is an essential element that is still missing in the completion of the internal market in Europe. People, goods and capital can now cross borders without facing unjustified restrictions. But barriers still exist in the area of free movement of services. In fact, the single market in services, although enshrined in the text of the treaty from its conception, does not exist in practice except from some sectoral exceptions where progress has been made. The reality is that we operate in an "internal" market, with 28 different sets of legislation for a wide range of service sectors. The large majority of other service suppliers who want to widen their

horizons in other EU countries have to comply with these different sets of obligations in each country. In practice, many of them do not even get as far as starting on a "foreign" adventure.

REINVIGORATING THE EUROPEAN ECONOMY

The proposed directive will be instrumental in fulfilling the employment goals of the Lisbon agenda. Empirical evidence shows that full implementation of the proposed directive will lead to increased trade and cross-border investment in services. This will generate higher income, which in turn increases the demand for services and employment in these sectors. Last year the Netherlands Bureau for Economic Policy Analysis (CPB) calculated that the removal of barriers to trade and establishment as foreseen by the proposed directive would in time produce 15 to 35% growth in both intra-EU services trade and the stock of direct investment in services. According to a recent report carried out by Copenhagen Economics for the European Commission, full implementation of the proposed directive in the service sectors covered would bring about the following:

- ▶ Creation of 600,000 additional jobs in the EU;
- ▶ Reduction of existing barriers to service provision by more than 50%;
- ▶ Reduction of the prices of the services concerned by the directive which will benefit both consumers and firms using these services as inputs;

REDUCTION OF ADMINISTRATIVE BURDENS FOR EU COMPANIES

Industry and companies will benefit from administrative simplifications, particularly the single points of contact to which businesses from other European Union countries can turn with all their administrative questions. These single points of contact facilitate the establishment of a business in another Member State, will reduce the costly and lengthy administrative burden and allow a quicker authorisation process, with wider use of e-government. The pan-European modernisation of the regulatory systems is indispensable for a well-functioning internal market for services.

STIMULATING CROSS BORDER TRADE IN SERVICES THROUGH COUNTRY OF ORIGIN PRINCIPLE

Another important purpose of the proposed directive is to facilitate cross-border service provision, inter alia through introduction of the country-of-origin principle: the legislation of the country where the business has its head office is applicable in the commercial transaction. By allowing the provider to offer its services across EU borders under the national conditions applicable in his own Member State, disincentive obstacles will be lifted and should provide an opportunity to companies, to go to a neighbouring market and test whether they might find new consumers for their services.

BENEFITS FOR CONSUMERS

The introduction of new service providers in the national EU markets will allow private consumers to have larger choice of services, discover new

services that might have not been introduced into their market due to lack of competition; and to enhance quality of service and better information on service providers to buy services in the local market at a lower price, due to increased competition between providers and a reduction in providers' costs because of higher potential economies of scale. Companies acting as consumers would also benefit greatly from the completion of the internal market in services. Manufacturing companies that are used to the concept of the "EU Internal Market" know that there are probably opportunities to find better service providers from other EU Member States (newly established in the host country, or providing a service temporarily from their home country, in particular in the border regions).

THE MISCONCEPTIONS – WHAT DOES THE DIRECTIVE NOT ACHIEVE

THE SERVICES DIRECTIVE WILL NOT LEAD TO "SOCIAL DUMPING"

The main argument in the hands of opponents of the directive is that the Services Directive would lead to "social dumping". There are fears that services providers with lower labour costs and social standards, particularly from the new member states, would be able to provide cheaper services of low quality, by sending workers to other EU countries without having to comply with core working conditions and labour law rules of the host country. This fear is not founded.

INTERNAL MARKET FOR SERVICES

The services directive foresees a general derogation from the country of origin principle for all matters covered by the posting of workers directive. The directive is applicable in the case of workers who perform work outside the country where they normally work for a limited period of time. This directive protects posted workers against "social dumping" by obliging Member States to ensure that, whatever the law applicable to the employment relationship, companies posting workers in a host country guarantee to those posted workers the terms and conditions of employment laid down in the host Member State's legislation covering matters such as maximum work periods and minimum rest periods, minimum paid annual holidays, minimum rates of pay, conditions for hiring-out of workers, in particular by temporary employment agencies; health and safety at work, equality of treatment between men and women and other provisions on non-discrimination. Furthermore the host country is in charge of controlling compliance with the posting of workers directive on its territory. European business believes that it is the right approach to ensure that the directive is without prejudice to the matters covered by the directive 96/71/EC on posting of workers.

THE SERVICES DIRECTIVE WILL NOT LEAD TO A "RACE TO THE BOTTOM" OF PUBLIC HEALTH, SAFETY AND ENVIRONMENTAL STANDARDS

Some argue that a country that imposes lower requirements in the field of environment, public safety, health and liability could be a more attractive host country for service providers which could then offer services across

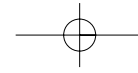
other EU countries under conditions with which local service providers cannot compete. This fear is also groundless. The proposed directive already provides, in derogations from the country of origin principle, for a range of safeguards regarding public order, public safety or public health whereby Member States can draw up national rules covering those fields that foreign service providers must also comply with.

THE SERVICES DIRECTIVE WILL NOT LEAD TO PRIVATISATION OF "PUBLIC SERVICES"

The proposed directive will not force Member States to liberalise or privatise "public services" or open them up to competition. The directive is merely intended to facilitate and simplify the development of service activities at EU level in those areas, which are already open to competition. In addition, it will still be up to each Member State to decide the areas, which would or would not be open to competition. The governments do also not lose their competition in organising and financing the public services or their health and social security systems.

THE SERVICES DIRECTIVE WILL NOT UNDERMINE PROFESSIONAL QUALIFICATIONS

There is a fear that the proposed directive might lead to the diminution of the quality of the services provided by some sensitive professions that are regulated at national level. The proposed directive has in fact anticipated these concerns by excluding the regulated professions from implementation



of the country of origin principle. Indeed, the directive excludes the services covered by the soon-to-be-adopted directive on the recognition of professional qualifications.

THE NEW MEMBER STATES – IN THE LIMELIGHT

The current debates on both the Services Directive and the Posting of Workers Directive focus particularly on the new member states and the so-called danger of social and quality dumping supposed to be caused by the directive. It is also argued that the introduction of further competition in the services sector and the potential entry of new companies from other EU Member States might result in the destruction of existing jobs. Unfortunately, stirring up public fears of competition with the new member states and of a future break down of the European job markets is often based on national protectionism and the idea of market control.

For the new member states the Services Directive is crucially important. They entered into the European Union under asymmetrical circumstances. On the one hand the accession agreement stipulates transition periods particularly in the field of the free movement of workers and services, excluding the new members from the benefits and advantages of the internal market. On the other hand the directive is unjustly associated with the problems the transition periods may cause in the "old" member states and is also used as a scapegoat for national mismanagement there. Mostly discussions are

argued out on the back of the new member states and their justified interest in participating in the European internal market system.

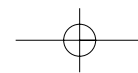
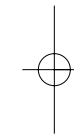
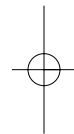
Surely, the economic and social catching-up process in the new member states has not been completed yet. Many of the least developed regions of the enlarged Europe are concentrated there. That's why the EU has to speed up the process of convergence instead of obliging any further artificial obstacles hampering a sound economic development.

CONCLUSIONS

What we call for is an honest and unemotional debate on the Services Directive – it is important to discuss existing problems but also to make clear what the benefits and the misconceptions and myths are. We believe that there is still a valid chance to get a good directive, creating a truly and barrier-free internal market for services, the three incoming EU-Presidencies, UK, Austria and Finland are certainly working in this direction. The ongoing discussions at business level also show that the absolute majority of the business federations advocate for the Commission's proposal including the country-of-origin principle.

The Services Directive is one of the key elements enhancing competitiveness, innovation and economic growth in the EU. That's why we

- ▶ consider a dynamic, competitive and effective working single market for



INTERNAL MARKET FOR SERVICES

services as a basis for high quality services supplied at attractive prices, improved competitiveness, economic growth, innovation and job creation in Europe

- ▶ consider the country-of-origin-principle as a key driver of the free movement of services bringing the benefits in a short timeframe and ensuring a well-functioning European market with services
- ▶ support the establishment of the enhanced co-operation between the host and origin country reducing the administrative burden and encouraging an efficient exchange of information and ensuring an effective supervision and a control mechanism
- ▶ call for administrative simplifications for service providers and a reduction of bureaucratic burdens
- ▶ welcome the facilitation of the free establishment and movement of services
- ▶ step up our common effort to avoid further spreading of misunderstandings and misconceptions, particularly on the "social dumping" supposed to be caused by the new member states
- ▶ call for an honest and unemotional debate on the Services Directive – bringing back the discussions on an objective and reasonable level

IMPROVING INFRASTRUCTURE

ENABLING THE CROSSING OF FRONTIERS WITH A COMMON TRANSPORT-INFRASTRUCTURE

Europe's Trans European Transport Networks are the lifeblood of the EU's internal market. Their continued maintenance and development have a direct impact on Europe's competitiveness.

- ▶ Therefore the construction of the Trans European Network – Transport (TEN-T) infrastructure projects, aiming at meeting the challenges of the enlarged EU, the strengthening of EU competitiveness, the dynamic of the internal market and the EU growth potential requires adequate financial measures in order to be completed on time. In order to provide the necessary means to realise the transport projects, defined as being of European interest, the main objectives from our point of view are:
 - ▶ An increased EU-budget for the TEN: Since the costs for the realization of the 30 TEN priority projects is 225 billions (140 billions for priority projects), 20,3 billion worth of EU-Co-financing has to be seen as an absolute minimum.
 - ▶ Responsibility and genuine financial commitment from Member States are a pre-condition for the TEN-T to become reality.
 - ▶ Industry supports the Commission's proposal to increase the funding percentage to maximum 30% for priority projects and especially welcomes the funding percentage of 50% for cross border sections.

- ▶ Certainty of financial commitments for the cross border sections from the Member States (in order to attract private investment and promote Public-Private Partnerships (PPPs) and increase the catalyst effect of community support with it)
- ▶ More cooperation and coordination for Cross-border sections between the CEEC to increase the chance of receiving more financial support of the EC: EU-Lobbying in Brussels, cooperation with the European coordinator and with a regional coordinator.
- ▶ The TEN-Ts will only become reality, if efforts – together with inter-operability, intermodality, the liberalisation of the railway sector and a competitive system of infrastructure charging- are coordinated at the EU level and overcome narrow national interests.
 - ▶ Harmonisation of safety procedures, technical standards and operational rules: The operation of trains throughout the trans-European rail network requires in particular excellent compatibility between the characteristics of the infrastructure and those of the rolling stock, as well as efficient interconnection of the information and communication systems of the different infrastructure managers and operators.
 - Industry urges, to improve the interlinking and interoperability of the national rail networks as well as access thereto, implementing any measures that may prove necessary in the field of technical standardisation.
 - ▶ Increasing competition within rail: Progress in introducing competition

IMPROVING INFRASTRUCTURE

within the rail sector is very patchy: some countries now have a high degree of competition whilst others have none.

- Industry requires an efficient implementation of the second and adoption of the third railway packages.
- ▶ Improving the inland waterway transport system: Compared to other modes which are often confronted with congestion and capacity problems, inland waterway transport is characterised by its reliability and has a major unexploited capacity.
- Industry supports the European Commissions aim to promote and strengthen the competitive position of the inland waterway transport in the transport system, and to facilitate its integration into the inter-modal logistic chain.
- Inland navigation also needs an effective infrastructure. The removal of obstacles and bottlenecks in the inland waterway network has to form part of the trans-European transport networks policy.
- ▶ Linking user charges with infrastructure investment: Ensuring that revenue raised as a result of the Commission's "Eurovignette" proposal is reinvested in these transport networks is absolutely vital to a successful European economy and the CEEC.
- Industry requires no increase of total transport costs for user, no inclusion of external costs that cannot be calculated, construction costs only for future road construction and crossfinancing only as exception in clearly defined sensitive regions as a result of the new "Eurovignette".

DEVELOPING THE ENERGY INFRASTRUCTURE

Industry needs energy supply that is competitive and reliable, in terms of security and continuity.

▶ Foster competition:

In this respect, tribute must be paid to the liberalisation process initiated by the Commission. Nevertheless, significant obstacles remain to the entry of new market players and to industrial customers really benefiting from competition. The proper implementation of the EU legislative framework still lacks behind. National markets continue to dominate and hinder Competition within the EU. A clear EU legislative framework is necessary for the proper functioning of a competitive internal market for electricity, for safeguarding security of electricity supply and ensuring an adequate level of interconnection between Member States.

Industry therefore calls on the Commission to ensure that Member States implement and apply the liberalisation legislative properly, to ensure legal unbundling and to secure the installation of independent regulators in all Member states.

▶ Linking gas and electricity network –Trans European energy networks:

Following EU enlargement on 1 May 2004, existing European gas and electricity infrastructure needs to be stronger linked to allow the new

member states to take part in the market for electricity and gas currently being opened up to competition. To increase the security of supply and to enable the unconstrained cross border electricity exchange, existing inter-connection lines have to be strengthened or totally new constructed. The better integration of the accession countries and neighbouring regions into a wider European energy market must also be fully taken into account on the list of projects qualifying for support and identified in the Trans European Energy Networks guidelines.

Industry therefore calls on the Commission and the Member States to take actions in view of stimulating rapid creation of interconnections, to link decisively the new Member States to the Energy Single Market and to make the Transeuropean Networks more efficient. Better use of the existing networks and the setting up of missing links will make it possible to increase effectiveness and competitiveness, will guarantee an appropriate level of quality and better long-term viability. In this respect swift and efficient authorisation procedures are essential for the realization of TEN and cross-border projects.

► **Nabucco gas pipeline to be completed by 2010:**

By 2030 the European Union will have to import 80% of its necessary gas supply. Therefore a fast implementation of the Nabucco natural gas pipeline, spanning the Caspian region and Western Europe, is necessary in order to link the EU with gas sources in Russia, Azerbaidshan, Iran etc.

► **Construction of new power plants:**

Industry also calls for the promotion of investment in new power plants in order to improve the security of supply and strengthen competition within the EU and to allow the energy sector to continue to develop.

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