

# Enterprise EUROPE

Enterprise policy news and reviews  
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# 14

January-March 2004

**SMEs**  
Fresh starts after bankruptcy



**INDUSTRY**  
New chemicals strategy



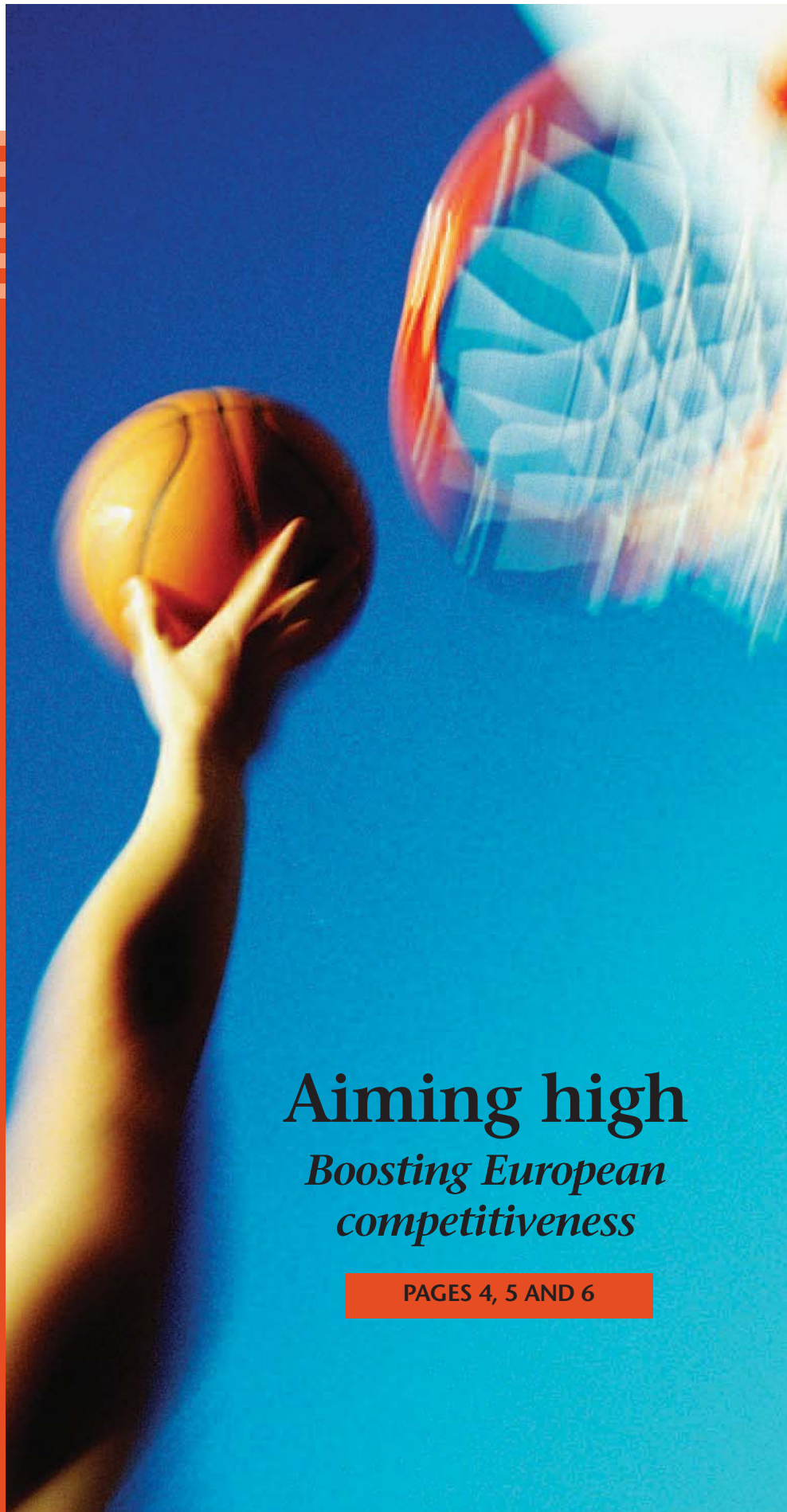
**INNOVATION**  
Latest innovation scoreboard



**NEW ECONOMY**  
Corporate social responsibility



**SINGLE MARKET**  
Promoting eco-design



## Aiming high

*Boosting European competitiveness*

PAGES 4, 5 AND 6



European  
Commission



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## Publishing

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## Editorial information

*Enterprise Europe* aims to show how fostering enterprise, innovation and entrepreneurship can help create a Europe of sustained economic growth, with more and better jobs and greater social cohesion.

An electronic version of *Enterprise Europe* is available on the Commission's Europa web site ([europa.eu.int/comm/enterprise/library](http://europa.eu.int/comm/enterprise/library)).

Here you will also find regular updates on topics of interest to *Enterprise Europe* readers. A wealth of other information about and from the European Commission is available online at: [europa.eu.int](http://europa.eu.int) and [europa.eu.int/comm/enterprise](http://europa.eu.int/comm/enterprise).

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# Coordinating for competitiveness

The combined impact of policies that affect enterprise competitiveness is crucial to Europe's ability to achieve long-run improvements in productivity, growth, jobs and living standards. Policy makers across Europe, including the EU's Irish Presidency, are taking an ever closer interest in the cross-cutting effects of these policies (e.g. industry, the single market, research and competition) on the economy as a whole. Coordination to exploit synergies among these policies at EU and national levels can pay off.



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The EU Council of Ministers, European Parliament, Member States and the Commission all have an important role to play in structured coordination, not least by ensuring that the likely impact on competitiveness of any measure is considered throughout the legislative process.

Coordination begins with rigorous analysis of industry-wide and sector-specific competitiveness challenges. It includes extensive consultation of stakeholders and impact assessment prior to any decision being taken on regulatory or legislative measures affecting enterprise competitiveness. It also aims to optimize the impact of non-regulatory measures on

research, innovation and entrepreneurship.

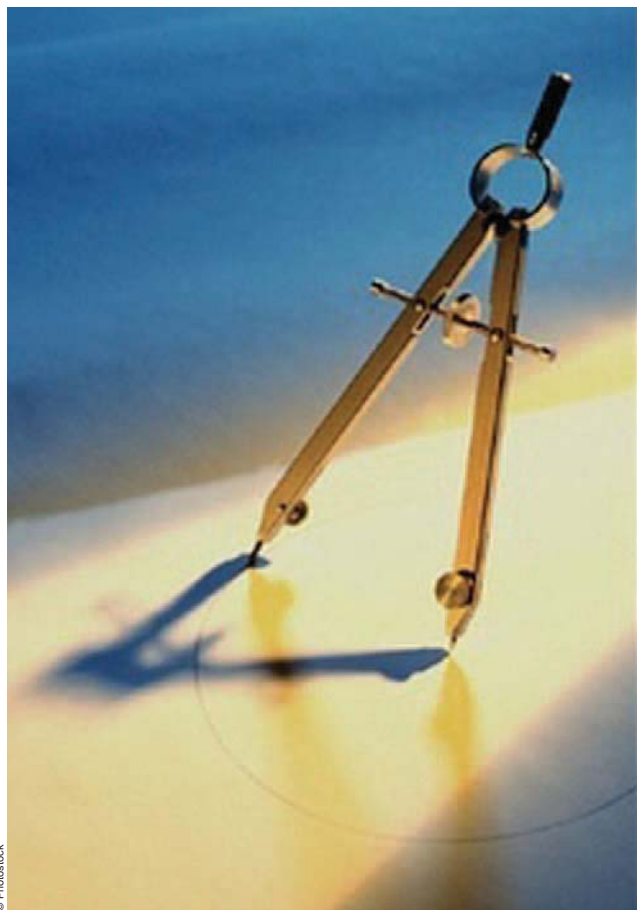
Last March, EU leaders called on the new Competitiveness Council actively to assume its coordination role. The October European Council reiterated the Competitiveness Council's pivotal role in ensuring that an integrated approach to enhancing competitiveness is applied on the ground, and thus in helping to create a favourable environment for enterprise, an effective single market and more research and innovation. The European Council also called on the Commission to improve the industrial policy framework with a view to preventing de-industrialisation.

The analysis underpinning the integrated approach is set out in the Competitiveness Report 2003 (see page 4), and the Enterprise and Innovation policy scoreboards (pages 6 and 12). The approach itself is described in the Commission's November Communication on *Some key issues in Europe's competitiveness – towards an integrated approach*.

These documents will help shape the Commission's input to the Spring European Council. 



**ERKKI LIIKANEN**  
Commissioner for Enterprise and the Information Society



# Meeting the competitiveness challenge

*To achieve a sustainable long-term increase in living standards and converge towards US levels, the European Union will have to make a strong improvement in its productivity performance. That is one of the main conclusions from the Commission's European Competitiveness Report 2003. Publication of the report coincides with presentation by the Commission of a communication that will facilitate and guide the work of the Competitiveness Council to improve competitiveness across the EU, by exploiting synergies between policies on, for example, industry, the single market, research and competition, at both EU and national levels. The communication's competitiveness analysis is drawn from the Competitiveness Report.*

The Competitiveness Report, released at the end of November, warns that certain trends in the European Union are not consistent with expectations of improved living standards. These include the decline in the hours individuals work, the virtual stagnation in the total hours worked over the past 30 years and the recent slowdown in productivity growth.

The gap in living standards between the EU and the US is 30 percentage points, of which 25 can be attributed, in almost equal parts, to a lower employment rate and to lower hourly productivity in the Union. The age structure of the population is not a factor in this equation.

The report suggests that if the EU is to achieve its long-term competitiveness goal, it will have to improve both its employment performance and the efficiency with which labour is used in the production process.

This will require structural reforms leading to more flexible labour and product markets, investments in innovation and education and wider use of new technologies.

## Importance of ICT

Europe's productivity growth has relied more heavily on investments in traditional forms of capital, while in the US the role of information and communication technology (ICT) capital is more pronounced, possibly indicating untapped potential in the EU.

The report finds that firms that achieve high productivity growth tend to combine investments in hardware and software with organisational changes. An examination of trends among German companies provides evidence of this synergy.

The analysis focused on different ways of increasing employee participation: shift in responsibility to lower levels of hierarchy, introduction of teamwork and the establishment of autonomous work groups.

The results indicate that the three measures complement each other and establishments that introduced all of them have an additional productivity advantage, says the report. The effect of introducing these measures between 1996 or 1997, it points out, increased the average productivity of a representative sample of German businesses by 8% in the 1997-2000 period.

The importance of ICT in organisational change suggests that governments could have a role to play in providing a high quality ICT infrastructure and disseminating information on the benefits and costs of such initiatives. This could be of particular importance to small and medium-sized enterprises (SMEs) and to businesses operating in low skill intensive industries, such as food and beverages, textiles, leather and clothing, which appear to be late adopters of e-business practices.

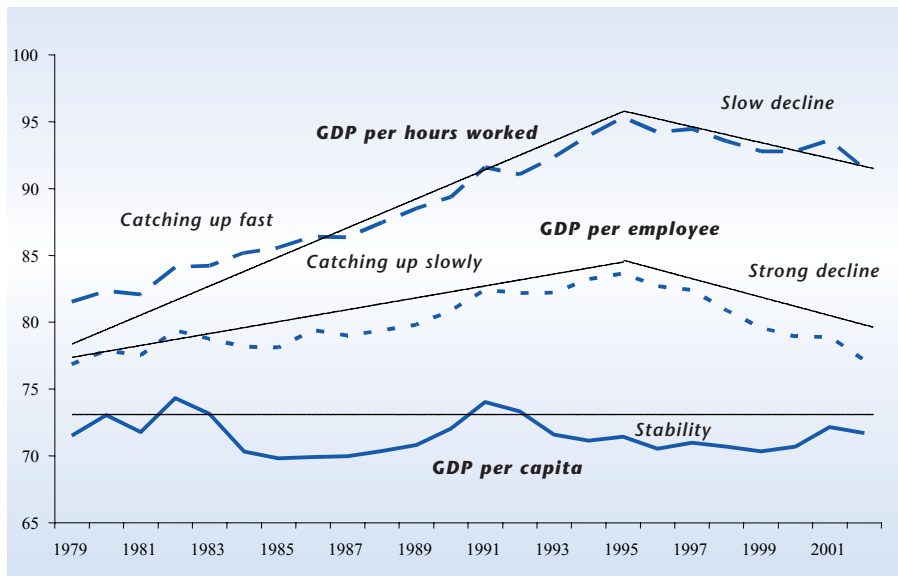
## Regional competitiveness

Even with the help of EU funding,

convergence of productivity levels across EU regions appears to be weak, at about 1.5% per year. Hourly productivity in the top 10 regions is two and a half times that of the bottom 10.

in the physical sense through good transport and communication networks and in a more intangible way through a common vision among regional stakeholders as well as through collaboration

EVOLUTION OF GDP PER CAPITA, PRODUCTIVITY PER PERSON EMPLOYED AND PRODUCTIVITY PER HOUR WORKED IN THE EU RELATIVE TO THE US (US=100)



But careful examination of five successful regions – Oberbayern and Darmstadt (Germany), Sterea Ellada (Greece), Île de France (France) and Niederösterreich (Austria) – identified factors that were likely to contribute to a strong productivity performance.

These include:

- good transport and telecommunication links,
- strong entrepreneurial culture with good industry-science relations,
- high-tech clusters that encourage networking,
- active public authorities that promote the region, and
- common vision among regional stakeholders.

'The common thread appears to be the potential to connect the different economic actors – both

between the academic and the business world,' the report concludes.

## Enlargement and competitiveness

Annual productivity growth in manufacturing in the 10 future EU members has outpaced the existing Union by more than six percentage points in recent years and this convergence process is set to continue. However, this productivity catch-up has been associated with a fall in industrial employment.

In individual sectors, the best productivity performances were registered in the electrical and optical equipment industries, followed by transport equipment and furniture. Weaker growth has been seen in food and beverages, textiles, wood products, paper and chemicals.

In comparison to the existing EU, the new members have a strong competitive advantage in terms of manufacturing unit labour costs. These are less than half the Union's average. However, the report warns that currency realignments or wage increases could weaken this strong suit. That would affect countries such as the Baltic States which compete essentially on the basis of lower costs.

In contrast, Slovenia, Hungary, the Czech Republic, Poland and Slovakia have higher labour productivity and higher wages and are increasingly shifting their production specialisation towards technology-driven, high-skill industries.

### An integrated approach

The Competitiveness Report is just one of a trio of annual analyses that pinpoint strengths and weaknesses in the EU's performance and offer potential signposts for policy makers. (See page 12 for details of the Innovation Scoreboard and the box on this page for the findings of the latest Enterprise Policy Scoreboard.)

The importance of an integrated approach is stressed in the Commission's communication, *Some key issues in Europe's competitiveness – towards an integrated approach*. This is designed to facilitate the work of the Competitiveness Council and to relaunch Europe's competitive drive by providing for systematic analysis of all factors affecting competitiveness.

The communication examines the performance and future prospects of Europe's economy by analysing its current state of competitiveness and pinpoints how exploiting synergies between

## KEY FINDINGS OF THE 2003 ENTERPRISE POLICY SCOREBOARD

The report provides an overview of Member States' recent performances in securing a better environment for businesses. Its general message is that work remains to be done, even in areas where the EU is doing well.

### Areas of progress

- growth in business angels' networks,
- more countries use regulatory impact assessment,
- rising share of tertiary graduates in the workforce,
- fast progress in e-government, and
- increases in commercial use of internet and broadband penetration.

### Disappointing developments

- venture capital investments continue to decrease,
- trans-border public procurement remains very low,
- lifelong learning makes no progress, and
- e-commerce remains a secondary channel for doing business.

different national and European industrial, internal market, research and competition policies will yield dividends in increased competitiveness.

The Commission firmly believes that the Competitiveness Council can provide the forum to ensure sound coordination and a thorough economic analysis of policies that impact on the economy's competitiveness.

For its part, the Commission will mobilise the legal and financial tools at its disposal to support competitiveness and will issue a communication in March on the concrete follow-up to its industrial policy.

It is also calls on Member States to speed up approval and implementation of EU legislation that concerns businesses; assess the impact of national measures on competitiveness; involve stake-

holders in decision-making; and give greater support to research, innovation and entrepreneurship.

The Commission urges the Council and the Parliament to accelerate the processing of legislation that has an impact on competitiveness.

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# Promoting competitiveness in business-related services

*The Commission is setting up a European forum containing a wide range of representatives to consider ways of tackling low productivity in business-related services. A recent communication identified five challenges that need to be addressed. The forum's work will be an integral part of the input to an action plan due to be unveiled in 2005.*

**L**ow productivity in business-related services is a serious threat to the EU's overall competitiveness and capacity for growth. It has a most immediate impact not only on manufacturers, but also on other service industries, whose competitiveness depends on the quality and price of the service inputs they need to conduct their business.

Business-related services cover a wide range of economic activities and are the largest sector in the EU economy, employing some 55 million people. They account for more than two-thirds of all new business start-ups and are a major source of new jobs.

However, productivity growth in this sector is causing concern and has lagged behind the US in recent years. In addition, there is the new phenomenon of the transfer of service sector jobs, notably call centres, to other parts of the world.


Given the service sector's importance, successful efforts to boost its productivity and competitiveness will have beneficial repercussions throughout the Union's entire economy.

## Tackling the challenges

The new forum will bring together representatives from national and European administrations, professional and employee organisations, research institutions and other enterprise-related stakeholders. Over the coming months, it will study the issues identified in the Commission's communication and feed in its contribution to the action plan which is due to be completed during the first half of 2005.

The communication identified five main challenges.


- The market for business-related services must be better integrated and made more competitive by removing obstacles so that opportunities are presented and it becomes possible to shop around for the best value for money.
- Europe must improve the supply of highly-skilled workers and invest more in the knowledge-based economy so that innovation can drive the sector forward.
- The output of service companies needs to become more transparent through the development of quality indicators and voluntary standards and promotion of best practice.

- Regional markets for business-related services should be encouraged so that firms in less developed parts of the Union can enjoy easy access to them.
- A long-term strategy needs to be put in place to improve knowledge and statistical coverage of the sector so that its impact on growth and sustainable development is better understood. 

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# Encouraging a fresh start after bankruptcy

*To set the agenda for entrepreneurship policy, the Commission published the Green Paper 'Entrepreneurship in Europe' in 2003. This helped to trigger a public debate on ways to make the balance between risk and reward more favourable to entrepreneurship. As a follow-up, the Commission will present an action plan in January to put its strategy into practice.*

**B**ankruptcy law and the stigma of failure can have a negative influence on entrepreneurship. To determine just how strong that influence is, the Commission has been working closely with experts from 14 Member States, seven future members and Norway.

They have concentrated on two central themes. To what extent do national bankruptcy laws act as a deterrent to business survival and a fresh start? What is the exact influence of the stigma of failure on entrepreneurship in general and on the potential of business people who have failed to put the past behind them and start again?

The results of this work are set out in a new report. This seeks to boost the trend in Europe towards changing the legal framework on bankruptcy. Legislative reforms have recently taken place in the UK, Spain and Norway. A review of bankruptcy provisions is under way in Finland, while Italy and Portugal have started to revise their insolvency laws.

The report also contains indicators and benchmarks on the following



## GOOD PRACTICE EXAMPLES



The **Norwegian** Advisory Council on Bankruptcy has recommended ways to change the country's insolvency and bankruptcy legislation and practices. Its internet site ([www.konkursradet.no](http://www.konkursradet.no)) provides information about insolvency for both professional and non-professional users.

Keys to the success of restructuring in **Austria** are the low number of preferential claims, the role of associations protecting creditors' rights and administration of the company, which is closed down only if continuation would clearly disadvantage creditors.

The **UK** reform on personal insolvency seeks to facilitate a fresh start for entrepreneurs who failed due to factors outside their control. The Enterprise Act 2002 gives the power to amend or remove statutory disqualifications on bankrupts and reduces the discharge period for remaining debts.

Recent **Spanish** bankruptcy reforms reflect great sensitivity about worker-related issues, considering employees as essential for the continuation of a business in trouble. A series of social measures is included in the new framework legislation for companies in difficulties.

four core topics with the experts' suggestions on how they could be tackled:

### 1. Early warning mechanisms

- external advice at an early stage,
- information on the 'ways out',
- 'user-friendly' and informative accountancy and general information tools, and
- training courses for new starters and for entrepreneurs' advisors.

### 2. Legal system

- prevention via crisis-managers,
- lower entry requirements and simplifying restructuring proceedings,
- quick liquidation, taking account of all creditors' interests, and

- creation of specialised insolvency sections in courts.

### 3. Fresh start

- campaigns to change mindsets in Europe,
- removing outdated and harmful restrictions, disqualifications and prohibitions, and
- early discharge from remaining debts, subject to certain criteria.

### 4. Social attitudes towards failure

- providing information and education programmes against business failure stigma,
- public availability of information on debtor 'excusable' provisions,
- back-up for business and financial communities who assist struggling companies, and

- promoting a fresh start for entrepreneurs who have failed through no fault of their own. ≡

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## Promoting entrepreneurship in schools

How can schools help their pupils to develop entrepreneurial skills that will be of use to them in their professional lives? Possible answers are contained in a new expert report, *Making progress in promoting entrepreneurial attitudes and skills through primary and secondary education*.

This examines practices in 26 European countries and follows up the Best Procedure project on *Education and training for entrepreneurship*, launched in June 2001. It highlights policy measures and strategies to help achieve this overall aim and includes recommendations.

In particular, the report assesses progress so far; provides examples of existing national or regional strategies; draws attention to further steps to be taken; suggests possible goals; and proposes a methodology to monitor progress.



### Business studies

The survey shows that, although some measures are being taken to promote entrepreneurship education, there may also be other ways to foster business skills among Europe's youth.

Given the large degree of autonomy schools and teachers enjoy, the conclusions emphasise the need for well-structured cooperation between different departments in national administrations and for active support. ≡

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# Chemicals: developing the right policy mix

*Shaping the European Union's new chemicals strategy is arguably the biggest challenge the Commission has ever faced in meeting wider sustainable development goals. Its recent proposals for the Registration, Evaluation and Authorisation of Chemicals (REACH) is the result of widespread consultation. It would require companies that manufacture or import more than one tonne of a chemical substance per year to register it in a central database.*

**T**he Commission is confident that the proposals it has tabled on chemicals strike the right balance between maintaining growth and employment in Europe, while improving its citizens' health and the environment.

On the one hand, it recognises the important contribution the sector makes to the Union's economy. It provides 1.2 million jobs, delivers a favourable trade balance of over €60 billion, is a key supplier to Europe's manufacturing industry and is among the three leading industries in 11 of the 15 current Member States.

The competitiveness that enables the industry and the sectors that depend on it to make this contribution to Europe's economy must be safeguarded. Failure to do so would make it harder to create new jobs and to invest in innovation, R&D, a healthier environment and better health services.

On the other hand, Europe's citizens deserve reassurance that they can take advantage of the benefits of chemicals without exposing themselves or the environment to risk. The latest Commission proposal aims to combine that high level of protection with one of the most progressive

chemical management systems in the world.

### REACH proposals

The draft legislation takes close account of last year's extensive internet consultation during which a wide range of stakeholders responded to the initial texts based on the Commission's White Paper published in 2001 (see *EE* No 12). Over 6,000 took part in the internet exercise.

One of the new system's main aims is to simplify existing arrangements which are determined by a patchwork of over 40 separate items of EU legislation. These make a distinction between chemicals introduced before 1981 and those that came on the market thereafter.

Testing and registration procedures for post-1981 chemicals are far stricter than for the earlier generation of substances. For instance, any chemical produced over the past two decades in volumes as low as 10kg had to be tested before it could be sold. That requirement does not apply to chemicals already on the market before 1981.

At the core of the REACH proposal would be the obligation on companies that produce and import chemicals to assess the

risk from their use and take the necessary measures to manage it. Details of chemicals manufactured or imported in quantities above one tonne a year would be registered in a central database managed by a new European Chemicals Agency.

Registration data would include a chemical's properties, uses and safe handling details. The information required would be proportional to production volumes and could be tailored to the uses concerned. Safety details would be passed down the supply chain to users to enable them to safeguard the health of employees, the public and the environment.

### REACH benefits

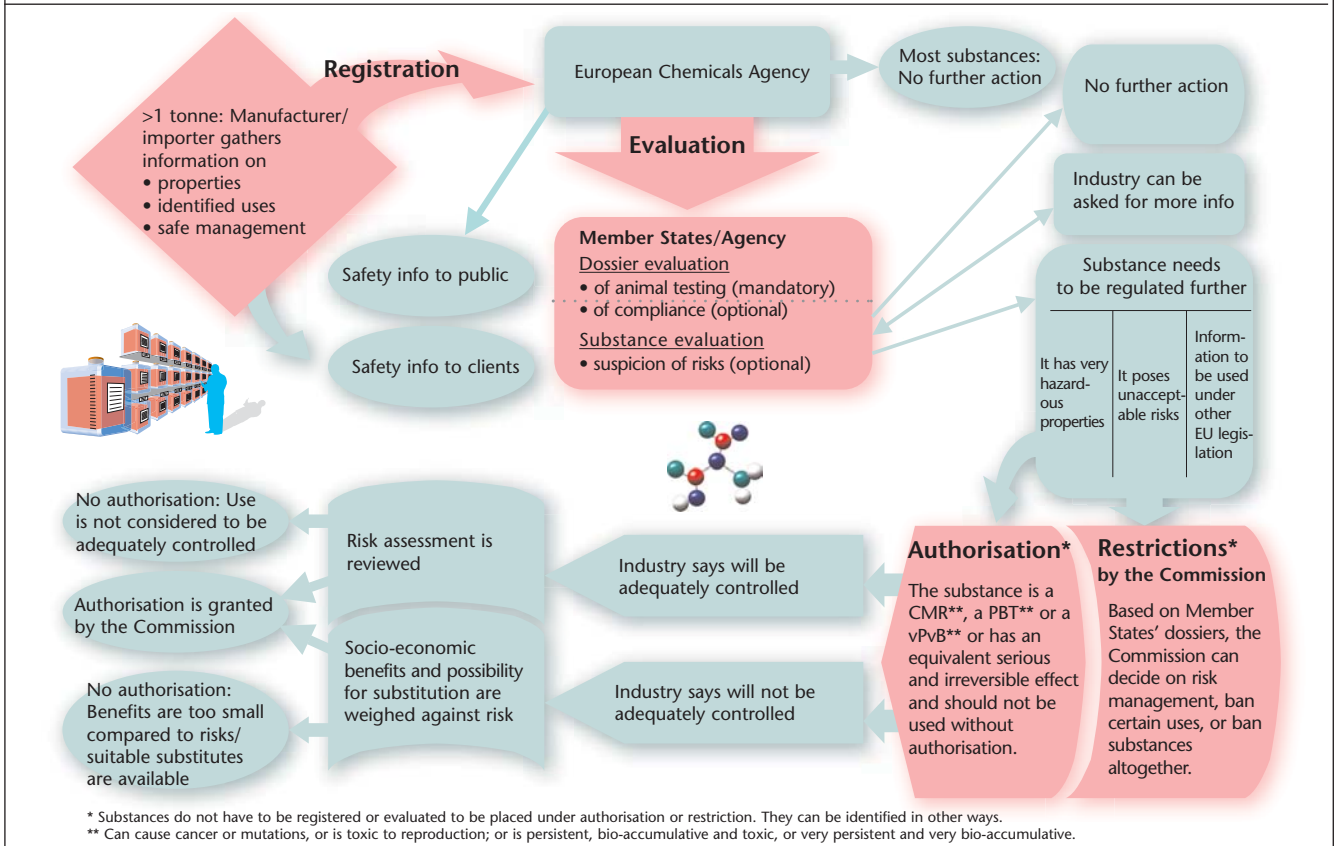
The Commission believes that the proposals now on the table will help to encourage the development of innovative chemicals in Europe by:

- introducing lighter requirements for testing new substances,
- treating new and existing substances in the same way, thereby allowing new substances to compete equally with existing ones,
- raising the threshold for registering new substances from 10kg to one tonne, and



# REACH

## REACH : Registration, Evaluation and Authorisation of Chemicals



- increasing the maximum time limit for exemption from registrations in the case of R&D from six to 10 years (15 years for the development of pharmaceuticals).

Clear rules and procedures, consistently applied, should ensure that chemical companies operate under the same conditions throughout the Union. One unforeseen benefit of the wide-ranging consultation process is that it has led to greater public appreciation of the importance of the sector to the European economy.

As a result of that consultation, the Commission has made changes to the original plans in order to reduce costs and excessive administrative burdens. These include exempting polymers from registration, reducing information requirements for registration and removing the requirement to complete chemical safety assessments below 10 tonnes.

These should lead to an 80% reduction in the estimated costs of implementing the new rules. As a result, the direct costs to industry over an 11-year period should fall from an estimated €12.6 billion to €2.3 billion. For downstream users, the costs are likely to be between €2.8 and €5.2 billion.

At the same time, there should be significant beneficial consequences for the environment and human health. An illustrative scenario puts health benefits at some €50 billion over a 30-year period.

As the proposal is examined by the European Parliament and the Council of Ministers, the Commission will continue its practice of close consultation with stakeholders. It is planning to set up strategic partnerships with the industry and Member States to develop guidance and test how the various REACH

mechanisms would work out in practice. This will require the support of the Union's Joint Research Centre, Member States, chemical producers and downstream users.

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## Innovation scoreboard highlights need for greater efforts towards Lisbon goal

*The European Innovation Scoreboard (EIS) provides key indicators to track the Union's progress towards its Lisbon European Council target of becoming the most competitive and knowledge-based economy in the world by 2010. The EIS 2003 underlines the efforts the EU must make if it is to close the innovation gap with the United States.*

**T**he EIS 2003 notes that, at the current rates of change, the Union will be unable to catch up with the US, for most indicators for which common data are available, by the end of the decade.

The US leads Europe in most of these indicators, except for the supply of science and engineering graduates, although in two other areas the scoreboard strikes a relatively positive note.

It can see a catching-up process, although very slow, taking place in high-tech manufacturing value added, and identifies noticeable progress on information

and communication technology expenditure, where the gap between the EU and US has been halved since 1996.

But elsewhere, it points to a huge discrepancy in early stage venture capital, despite some slow improvements in the EU; to the appearance of a new and growing gap in public sector R&D; and to continued disparities in tertiary education, all to America's advantage.

Patents are proving to be an area of particular concern. The EU continues to lag way behind the US, especially in high-tech patents that are particularly important to innovation, so

much so that the US is patenting more actively in Europe than the Union itself.

**Strong individual EU performances**  
However, a more encouraging picture emerges when the records of individual Member States are examined. These reveal that EU leaders are ahead of the US for eight indicators, and of Japan for seven. Finland and Sweden have put in particularly strong performances, notably in areas such as public and business R&D and high-tech patents.

The two Nordic Member States rank alongside the US and Japan

as the most innovative of the 33 countries (15 Member States, 10 accession countries, Romania, Bulgaria, Turkey, Switzerland, Norway, Iceland, United States and Japan) covered by the scoreboard. That, the report predicts, is likely to continue.

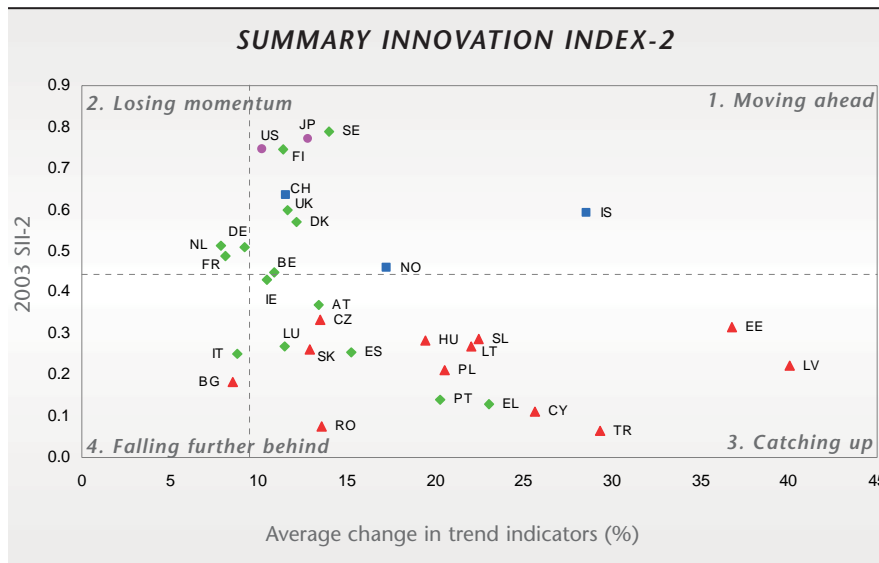
In addition, an analysis of innovation performance in four manufacturing classes (high,

are catching up. But the report counsels that factors behind this generally positive pattern should not be ignored.

While most accession countries show a stronger growth performance than the EU, a large part of this is due to the fact that they are coming from low starting values for several indicators. In addition, public and private R&D spending is decreasing in several of

While the US and Japan rank highly, Sweden and Finland are confirmed as the innovation leaders within Europe, and Iceland is also moving ahead. Greece, Portugal and Spain are the best examples of countries catching up from low current values. Compared with a similar analysis two years ago, Portugal has moved from 'falling behind' to 'catching up'.

The Czech Republic, Estonia, Slovenia and Hungary have also performed well. In contrast, the Netherlands, France and Germany are in danger of losing momentum. Their current performance is above the EU average, but their trends lag behind. ≡



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medium-high, medium-low and low technology) shows that the overall EU innovation leaders (Finland, Sweden and Denmark) are very innovative in the low and medium-low technology sectors as well.

The findings suggest that countries with innovative high and medium-high technology sectors benefit from a faster spread and take-up of innovation across the economy. This finding, the annual report reasons, should guide policy efforts to further develop and embed the high-tech sectors in countries whose industrial structure is dominated by low and medium-low technology manufacturing.

**Mixed picture for accession countries**

The scoreboard shows that overall the 10 accession countries

the countries. Consequently, there are some concerns that the positive trends may not be sustainable in the near future.

In line with the Commission's annual Enterprise Policy Scoreboard, which analyses, inter alia, the negative impact of the Union's specific innovation weaknesses on its competitiveness, the 2003 EIS stresses that adjustment strategies in the 10 new EU members should rely on innovation and not on current cost advantages.

**Overall performance**

A clear picture of the relative progress individual countries are making on the 12 most widely available innovation indicators can be seen from the accompanying graph, which charts current performance (on the vertical axis) against medium-term trend performance.


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*Corporate social responsibility (CSR) means companies behave responsibly towards their stakeholders in a strategic way and in their own long-term interest. The European Multi-stakeholder Forum on CSR, launched in October 2002, aims to improve knowledge and consensus on CSR among businesses, trade unions and civil society and to explore whether common European principles on CSR practices and tools would be appropriate.*



## Being responsible pays off for companies

'The evidence is getting more solid that it pays off for companies when they invest in corporate social responsibility.' That is the message Erkki Liikanen, the Enterprise Commissioner, delivered to the latest meeting of the European Multi-stakeholder Forum in Italy in mid-November.

Participants reviewed the forum's work to date. All agreed that, after a difficult start during which businesses largely adopted a

defensive attitude and stakeholders expressed the view that anything less than regulatory action would have little impact, the process has evolved positively.

The rapporteur, Professor Lutgart Vanden Berghe, pointed out that the forum's round table meetings – eight have so far taken place in the series of 12 – are a useful European platform for a constructive dialogue between business and its

(often critical) stakeholders. She described the forum as a learning organisation where discussions do not lead to universal agreement on each point, but do increase mutual trust, respect and understanding.

The round table meetings have focused on 37 concrete case studies. Examples range from Danone's dialogue with trade unions to Telefónica's system of evaluating stakeholder satisfaction.



They also include broader schemes, such as the chemical sector's Responsible Care Programme and the UK's Ethical Trading Initiative.

The potential benefits for companies are an important aspect of the forum's work. Enterprises can gain competitive advantages when they invest in sound relations with their stakeholders and attend to their environmental performance.

This can boost their reputation among employees, neighbours, investors, customers and suppliers. It helps to reduce risks. Sound relations with stakeholders also support a firm's 'licence to operate', because societal actors and public authorities that have a positive perception of the firm will be more favourable towards its projects. It can spur innovation and learning and, ultimately, potentially improve bottom line performance.

These assessments are in line with a growing number of scientific findings supporting the business case for CSR. These provide compelling evidence that being a good employer, neighbour and protector of the environment may actually increase, rather than reduce, profits.

Business organisations, however, continue to stress that the positive effects of CSR depend on the ability of companies to tailor activities to their specific situations.

The forum agrees that the following factors can contribute to the success of CSR:

- firm commitment to the concept from the very top to the very bottom of a company and among all stakeholders,

**FORUM MEMBERS**

SECTORS	NUMBER	EXAMPLES
Business	5	European employers' organisations, UNICE, and CSR Europe
Trade unions	3	European trade union body, ETUC
Civil society	16	Platform of Social NGOs and Green G8.

The Commission acts as facilitator.

The Enterprise DG has published an online directory and booklet presenting SME good practices on CSR ('Responsible Entrepreneurship'). It has also commissioned a Europe-wide CSR awareness-raising campaign for 2004.

- integrating CSR into all day-to-day business,
- nurturing skills and providing educational tools, and
- adhering to reliable transparency, including financial details.

strongly in the Multiannual Programmes for Enterprise and Entrepreneurship, the European Social Fund and the 6th Multiannual Research Framework Programme. ≡

JÜRGEN SCHEFTLEIN

The jury is still out on whether a European framework is necessary to develop CSR. The business community warns that convergence should not stifle innovation and that relying on standard criteria could see companies treating CSR as a mere box-ticking exercise. Companies also oppose any moves to set compulsory minimum norms.

In its forthcoming round tables, the forum will identify individual or collaborative measures to promote CSR and propose recommendations that could be implemented nationally or at a European level.

The European Multi-stakeholder Forum is central to the Commission's strategy to promote CSR. But the concept also features

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# EU and UNECE cooperation

*The United Nations Economic Commission for Europe (UNECE) is drawing on the European Union's extensive experience with the New Approach as it develops its work on technical harmonisation and standardisation policies.*

The Union has been using voluntary standards to develop directives on technical harmonisation since 1985. It is a principle which the UNECE, whose membership includes not just European countries, the Russian Federation and the Commonwealth of Independent States (CIS), but also the US, Canada and Israel, is increasingly applying.

operate the Euro-Asian Interstate Council for Standardisation, Metrology and Certification.

The members have already agreed to eliminate technical obstacles to trade between themselves and have launched a task force to prepare harmonisation agreements along the lines recommended by the UNECE.

now suggested the UNECE's international model could be applied to some information and communication technology (ICT) equipment.

It believes that, despite the general background of deregulation, the model could be used to address issues such as electrical safety and electromagnetic compatibility of devices. These are public interest issues where countries tend to maintain their own legislative requirements. By setting common regulatory objectives, both manufacturers and consumers benefit from access to safe and economically attractive ICT products.

In general, the UNECE's work on technical harmonisation and standardisation policies provides an important forum in which the EU can dialogue with some of its most important commercial partners and devise common approaches to shared problems.

CHRISTINE BERG

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**UNECE**



*The telecom industry is suggesting that the UNECE's international model could be applied to ICT equipment.*

The basis of the UNECE's work in this area is the 'international model' adopted in 2001 for the harmonisation of technical regulations and the free circulation of products that comply with the necessary (international) standards.

CIS policy makers were among the first to decide to use the principles and mechanisms suggested by the international model with the aim of facilitating trade between their 12 members who

From the EU's perspective, the initiative will not only help to boost intra-CIS trade, but also trade between the bloc and the European Union and the European Economic Area where significant commercial volumes are covered by a similar regulatory technique, notably the New Approach.

The telecom industry, which targets its products at truly global markets, is one sector that has

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# Lowering technical barriers to trade

The World Trade Organisation (WTO) completed the third triennial review of its Agreement on Technical Barriers to Trade (TBT) at the end of last year.

The conclusions contain several recommendations to make sure that unnecessary red tape does not create obstacles that add costs to exports, and hence to industry. They also identify new issues for the next review period.

A work programme has been established to deal with the complex question of 'conformity assessment procedures'. These represent a substantial burden on exporters, and WTO members should be encouraged to simplify their procedures or align them with international standards.

Attention is also given to future work on 'good regulatory practice'. This will enable the EU to share its considerable experience on



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better regulation, including the use of regulatory impact assessments.

The review reports on the extensive efforts made over the past three years to help developing countries benefit from the TBT Agreement through a technical assistance programme established in 2000. Although considerable progress has been achieved, the

work is not yet completed and further steps are needed to ensure an effective and continuous mechanism for technical assistance.

The review also identified improvements in the existing transparency procedures and agreed to continue the discussion of labelling in the context of technical trade barriers. ≡

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## Euro-Arab standardisation cooperation

The European standards bodies, CEN, CENELEC and ETSI have opened a new era of cooperation with the Arab states. Last October, the three organisations signed memoranda of understanding (MoUs) with AIDMO, the Arab Industrial Development and Mining Organization.

AIDMO's mission is to contribute to the development and promotion of the Arab economy, supporting fields such as industry, energy,

mining and standards. Its members are the 21 countries of the Arab League.

The MoUs aims to facilitate the exchange of goods and services between the EU/EFTA and AIDMO members. The agreement sets the following goals:

- to promote communication between the organisations,
- to encourage mutual understanding of the roles of each organisation in their respective regions,

- to develop knowledge of the standards development activities of each organisation,
- to adopt a complementary approach to the standardisation process in appropriate areas of mutual interest,
- to perform and promote regional standardisation to facilitate the exchange of goods and services between the two sets of countries, and
- to avoid duplication of work wherever possible. ≡

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# Promoting eco-design

Over 80% of the impact on the environment of an energy-using product, such as electrical or heating equipment, is determined at the design phase. Integrating such considerations at this early stage is to everyone's benefit. Measures taken at the design stage are more effective and avoid disrupting the single market. As a result, the Commission is proposing draft legislation on an eco-design for these goods.



The proposal, developed jointly by the Directorates General for Enterprise and Transport & Energy, provides for impact assessments, widespread consultation and alternatives such as industry self-regulation. The eco-design requirements may be generic (identifying focal areas for improvement to be monitored by quantifiable indicators, but without legally binding thresholds) or specific (setting limit values for individual envi-

ronmental aspects, such as energy efficiency). The framework directive will be based on Treaty Article 95 which safeguards the free movement of goods.

It integrates basic concepts of the New Approach, such as CE marking, the possible use of harmonised European standards for compliance and simplified conformity assessment procedures. Another innovation is that environmental management systems which take

product design and environmental performance fully into account are proposed as a method for conformity assessment.

Vacuum cleaners could provide a purely illustrative example of how the new process would work.

An impact assessment conducted by Commission services and involving stakeholders such as industry and environmental and consumer NGOs would identify the most cost-effective solutions for improving the product's environmental performance.


The analysis would confirm the importance of certain factors and the potential for improvement. These might include energy efficiency during use, dust emissions, noise and recyclability, while some additional elements might emerge. They could lead to proposals for mandatory thresholds for certain aspects of a vacuum cleaner's performance.

On the basis of the assessment a draft proposal would be submitted for endorsement to the regulatory committee before final adoption by the Commission. The World Trade Organisation would also be notified.

This example illustrates the basic philosophy behind the proposal. The Commission with the assis-

tance of a regulatory committee and after wide consultation with interested parties, defines the eco-design requirements. In principle, all energy-using products, except means of transport, would be covered, although only those items which fulfil certain conditions (such as relevance for the internal market and the environment with potential for improvement) would be subject to implementing measures, unless valid self-regulatory initiatives are implemented by industry.

The eco-design framework directive will encourage companies to be environmentally aware when designing their products. As sustainable development considerations come to the forefront of public policy, these efforts will be rewarded by access to ever more markets.

Consumers will benefit from a healthier environment, better products, and more rational use of resources. Most importantly, the environment will reap long-term gains from this initiative to tackle the sustainable development implications of a product's complete lifecycle. 

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enterprise/eco\\_design/index.htm](http://europa.eu.int/comm/enterprise/eco_design/index.htm)

## Council adopts resolution on New Approach Review

 EU Member States have  given the European  Commission a comprehensive mandate to undertake all appropriate steps to strengthen further the operational efficiency of the New Approach directives.

The resolution adopted by the Competitiveness Council on 10 November 2003<sup>1</sup> fully endorses the objectives set out in the Commission's communication published in May.


The resolution acknowledges the importance of the New and Global Approaches. They are an appropriate and efficient regulatory model for technical harmonisation, standardisation and conformity assessment.

They encourage technological innovation, enhance competitiveness of European industry and support the principles of confidence, transparency and competence, the resolution notes.

In order to enhance the implementation of the directives based on this successful model, the Council stresses the need for a clearer framework for conformity assessment, accreditation and market surveillance. It has, therefore, asked the Commission to propose appropriate initiatives and measures to increase coherence and administrative cooperation in the fields of:

- notified bodies, their assessment, designation, notification and surveillance,

- market surveillance,
- CE marking, and
- conformity assessment procedures.

The Commission is fully aware of the sensitivity of this mandate as most issues fall within the domain of subsidiarity. It is now considering follow-up actions and intends to come forward with a legislative proposal by the end of 2004. 

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<sup>1</sup>. OJ C 282, 25.11.2003, p. 3



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# Conference: challenges to European competitiveness

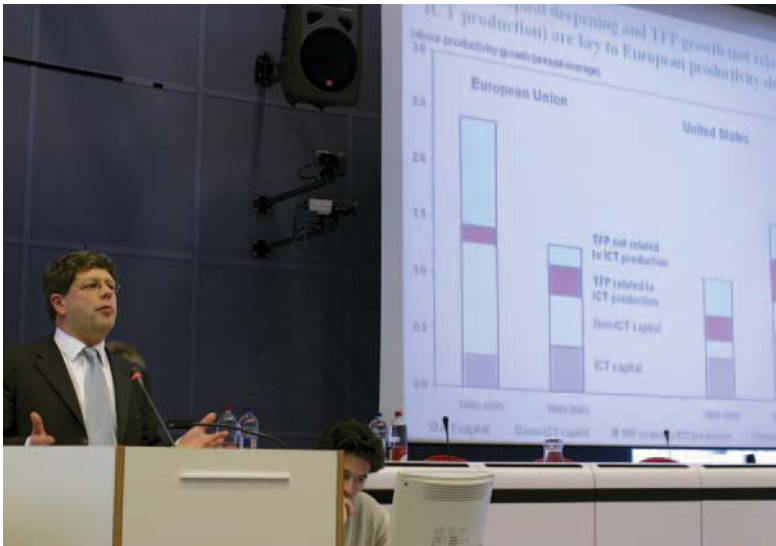


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**SLOW PRODUCTIVITY GROWTH** is clearly compromising the competitiveness of Europe's economies and enterprises, just as EU enlargement presents them with new competitive challenges and opportunities. These developments, along with the prospect of de-industrialisation, must be factored into the thinking of entrepreneurs, economists and policy makers.

How these challenges can be met was the subject of a major conference in Brussels shortly before Christmas. More specifically, two panels focused on key data of recent productivity developments and the problems confronting specific industrial sectors.

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*Prof Bart van Ark of Groningen University addresses participants*

## Improving pressure equipment safety in Europe

The safety of materials used in pressure equipment, which range from domestic pressure cookers to power stations, will be enhanced by the first set of European Approvals of Materials (EAMs). These are for Nickel 201 which is used in highly complex chemical installations.

The EAMs enable manufacturers using innovative, modern materials to demonstrate that they comply with the material safety specifications of the Pressure Equipment Directive (97/23/EC). Equipment made from EAM-approved materials may be sold anywhere within the single market, creating an incentive for

the use of safer, more modern substances.

The use of EAMs became possible after the Commission, national authorities and interested parties agreed a set of guiding principles for the contents and a standard format from EAM drafts. EAMs complement the more traditional way of using harmonised standards to show compliance with the directive.

The EU legislation establishes a regulatory scheme based on risk management designed to promote innovation and competitiveness by making best technology available in an area that was previously highly

regulated and fragmented along national lines.

The directive, combined with European standards, guidance documents adopted by the Commission and national authorities, and EAMs, provides a model that is attracting growing interest from third countries. **≡**

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[www.orgalime.org/positions/eam.htm](http://www.orgalime.org/positions/eam.htm)

# Integrating the environment into standards


The Commission's Enterprise and Environment DGs organised an internet consultation of major stakeholders in the second half of 2003 on ways to further integrate environmental considerations into European standards.

The exercise, which included an initial meeting in mid-July with representatives from business and industry, NGOs, public authorities and standards organisations, was based on a draft Commission communication, *The integration of environmental aspects into European standardisation*.

The findings confirm a consensus within the standardisation community

on how to integrate the environment into its work. There is widespread support for the following:

- develop environmental thinking among standardisers,
- encourage standardisers to make better use of environmental tools,
- facilitate the participation of environmental stakeholders in the process,
- improve access to environmental knowledge and expertise, and
- take account of international obligations.

These issues will therefore be the focus of the Commission communication to be published in January. Two workshops are scheduled for this year so that action plans can be established to achieve real progress in each area. 

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## Addressing legal problems in e-business

A consultation exercise conducted by the Enterprise DG has revealed that 30% of the 651 companies that responded cited legal problems as preventing them from e-trading. Many of the difficulties were to do with concluding contracts. But tax, electronic signatures and the supply of information society services were also common causes of complaint.

A majority of the companies felt that the e-business legal framework is not a major barrier to conducting their commercial affairs electronically, but nearly half of them said that they were insufficiently informed about existing legislation.

The findings confirm the need to provide better information about relevant e-legislation through

such avenues as the Euro Info Centre network's e-business legal portal.

The consultation results will be analysed in a Commission working paper to be published in March. This will feed into the conference, 'e-Business without frontiers: the legal challenges ahead', to be held in Dublin at the end of April.

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## Electronic invoicing standards

Electronic invoicing stakeholders are being invited to participate in a detailed standardised work programme to help implement Directive 2001/115/EC which took effect at the beginning of the year and is designed to simplify, modernise and harmonise e-invoicing rules across the EU.

Common standards should overcome some of the difficulties involved in sharing electronic files between companies and complying with differing national book-keeping rules.

The Enterprise DG has asked the European standardisation organisations, CEN, CENELEC and ETSI to prepare the work programme.

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## Publications



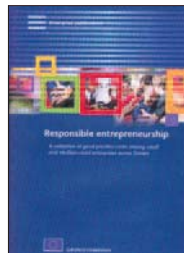
### The acquis of the European Union under the management of the Enterprise DG - List of measures

The Enterprise DG is responsible for managing a large volume of internal market legislation. This extends to some 500 individual directives covering industrial policy, SMEs and industrial products.

Comprehensive details of the legislation are contained in the latest (seventh) edition of the DG's 'Pink Book'. Its contents include both 'hard' law (legally binding) and 'soft' law (implementing arrangements). Where the former has been amended, adapted to technical progress or had implementing measures added, the changes are clearly shown.

With EU enlargement on the horizon, the publication contains sections on the free movement of goods, processed agricultural products, industrial policy and SMEs.

Free paper copies are available from:  
**European Commission,  
 Enterprise DG, unit G.1,  
 B-1049 Brussels,  
 Belgium.**  
 Fax: +32 2 299 80 31  
 E-mail: [entr-regul-coord-mra@cec.eu.int](mailto:entr-regul-coord-mra@cec.eu.int)



### Responsible entrepreneurship: A collection of good practice cases among small and medium-sized enterprises across Europe

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### New guide to EC-Japan MRA

Information on the European Union's trade-facilitating mutual recognition agreement (MRA) with Japan is contained in a new guide. It describes the MRA's background and context, structure and content, the relevant Japanese technical legislation and Japan's standards and product conformity assessment. Each section includes a comprehensive list of European and Japanese contacts.

The MRA covers telecommunications terminal equipment, electrical products, good manufacturing practice for pharmaceuticals and good laboratory practice for chemicals.

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## Diary

### Future of the European ceramics and glass industries Brussels, 27 January 2004

The conference will bring together a wide range of stakeholders from Europe's ceramics and glass industries to examine the challenges they now face and establish a medium and long-term strategy to ensure their sustainable competitiveness.

The issues that will be examined include increasing globalisation, growing concerns about energy and raw supplies, environmental factors and the implications of these developments on employment and the industries' overall viability.

Together, the ceramics and glass industries account for about 1.4% of the total value of industrial production in the EU. Production has increased

steadily over the past two decades, while a succession of rationalisation and modernisation programmes has increased productivity in most branches of the two industries.

At the same time, employment has been in steady decline. The glass industry has lost more than 30% of its total workforce in the past two decades, while employment in ceramics manufacturing has almost halved over the same period.

Registration has closed, but for further details:

Contact:  
[europa.eu.int/comm/enterprise/steel/conference\\_glass-ceramics.htm](http://europa.eu.int/comm/enterprise/steel/conference_glass-ceramics.htm)

### Standardisation workshop Brussels, 9 March 2004

The Commission is planning a workshop to examine how European standardisation can assist the services sector.

In October, the Commission asked the European standards organisations to draw up a programme of standards to see if these could help develop the internal market for services and improve their safety.

The workshop is designed to raise awareness of the subject and to help the organisations in their task.

Contact:  
[europa.eu.int/comm/enterprise/standards\\_policy/index.htm](http://europa.eu.int/comm/enterprise/standards_policy/index.htm)



## New Enterprise DG/IDA news service

News and case studies on open source software for the public sector in Europe are now available at the click of a mouse.

The Open Source Observatory, launched by the Enterprise DG and funded under the Interchange of Data between Administrations (IDA) Programme, aims to provide a comprehensive overview of open source software activities in current and future EU Member States.

Besides news round-ups, the Observatory will give information technology policy makers and practitioners easy access to in-depth assessments of successes and failures of specific projects. The first case studies will feature the Dutch Royal Meteorological Institute and the Linex initiative of the Spanish region of Extremadura.

Reference and introductory documents, and links to policy statements, will also be posted on the Observatory pages.

It is possible to subscribe to weekly news summaries and receive them by e-mail.

Contributions on open source software in the public sector are welcome. Please send them to the dedicated address: [gposs@cec.eu.int](mailto:gposs@cec.eu.int).

[europa.eu.int/ISPO/ida/oso](http://europa.eu.int/ISPO/ida/oso)

