Opinion of the Economic and Social Committee on the ‘Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the competitiveness of European enterprises in the face of globalisation — How it can be encouraged’

(1999/C 329/12)

On 22 January 1999 the Commission decided to consult the Economic and Social Committee, under Article 198 of the Treaty establishing the European Community, on the above-mentioned communication.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 22 July 1999. The rapporteur was Mr Morgan.

At its 366th plenary session (meeting of 23 September 1999), the Economic and Social Committee adopted the following opinion by 92 votes, 23 against and with 21 abstentions.

1. Introduction

1.1. In its reflection document, the Commission has made no attempt to classify in any systematic way the European enterprises to which the Communication refers. For the purposes of its opinion the Committee proposes the following classification:

A. Large enterprises:

A1 nationalised enterprises;

A2 Europe-domiciled public companies;

A3 Non-Europe-domiciled but Europe-located public companies.

B. Small and medium enterprises:

B1 publicly quoted on stock markets;

B2 privately owned;

B3 venture capital supported.

1.2. The purpose of the Communication is to examine how to meet the challenges which Europe faces in order to benefit from globalisation. This requires consideration of the capacity of each of the enterprise classes detailed above to compete in the global economy so as to contribute to GDP growth and employment creation in the EU. It is the thesis of the Communication that, in order to possess this capability, enterprises will have to adapt and that, in parallel, there must be a political response both from the EU and from Member States.

1.3. As in all ESC Opinions, this Opinion is faithful to the goals of the European social model — health, education, social security and employment — on which the skills and welfare of EU citizens depend. However, concerns about the implementation of the model are raised in this Opinion: specifically funding social provision via payroll taxes rather than income taxes, and the nature of the regulations which protect employment security.

1.4. There are a number of favourable references to the US economic model in the Communication. The central issue of this Opinion is how to achieve US-type outcomes within the structures and regulations of the European social model. In particular there is a cultural challenge to encourage risk taking within the welfare state without jeopardising the welfare state itself.

1.5. Globalisation means that producers world-wide can enter all markets, and low-cost countries gain a comparative advantage in basic and repetitive industries. The evolutionary forces set in train require that the first world develop leadership in high tech, high added value industries which exploit skilled human resources. This will also be disruptive: lower technology industries are likely to fail and this in turn will put pressure on any rigidities and inflexibility in the economy. Europe’s ability to meet these challenges is a recurrent theme of the Commission’s Communication and this Opinion. It will also depend on the success of the Commission in negotiating a new world order for international trade and improving the operation of international capital markets.

1.6. Competitiveness requires that an enterprise can add value to factors of production and win customers in open markets. The role of government is to ensure that the legislative environment is supportive, and that business and payroll taxes are not punitive. The overall effect must be that (a) the interests of all stakeholders are protected and (b) jobs are both safeguarded and created.

2. European Enterprises and Market Capitalism

2.1. Large enterprises

2.1.1. Until recently, many of Europe’s larger enterprises have been nationalised monopolies, which meant that Europe did not engage in certain sectors of the global economy. Key sectors of the European economy have been fragmented across fifteen countries by country boundaries. The development of the Single Market in the EU has removed many of these constraints.
2.1.2. Liberalisation of market sectors and privatisation of enterprises in the last decade have begun to correct the situation, yet much still needs to be done:

a) the Communication refers to the failure of the European defence industry to consolidate. But, unlike the US defence industry, European defence M&A (Mergers & Acquisitions) has been inhibited by nationalisation and government interference, often via its golden share;

b) the Communication makes much of the networked world, but the excessive delay in liberalising and privatising the telecom sector has left Europe with prices so high as to discourage public use of the Internet;

c) the development and commercial exploitation of TENs (Trans-European Networks) is still liable to be held back by nationalised monopolies in the power and rail industries;

d) the former nationalised industries and the formerly regulated industry sectors are in many cases central to the provision of a cost-competitive, high quality enterprise infrastructure in Europe. The realisation of this infrastructure, started in the last decade, is far from complete, and penalises the competitiveness of EU enterprises generally.

2.1.3. Liberalisation of industry sectors such as telecoms and broadcasting has at last stimulated the emergence of many new, fast-growing and successful high-technology enterprises. The continued emergence and growth of new enterprises in such areas as information society technologies, biotechnology and renewable energy technology require further prudent moves towards deregulation and protection from the abuse of dominance.

2.1.4. With the exception of the UK, the market capitalisation in other EU stock markets is surprisingly small. In part this is because some large enterprises remain partly government owned but, in addition, very many large Europe-domiciled companies are in private hands and not quoted on any stock exchange. Of course, private ownership has many advantages, especially for the owners. The disadvantage is that it limits access to international capital. It is therefore a potential brake on the global aspirations of competitive European companies. The necessary political response to this situation is to ensure that tax regimes do not inhibit the sale and flotation of private companies. The flotation of private companies also has the advantage for stakeholders of increasing the transparency of management operations.

2.1.5. In many European countries, equity holdings lack transparency as a result of complex cross-shareholdings, often involving the banks. Therefore there has been relatively little pressure from shareholders for improvements in management performance.

2.1.6. The ESC supports the view that companies established in Europe, wherever domiciled, are 'European' enterprises.

2.1.7. As companies develop a global dimension, they also develop the capability to create or destroy jobs in Europe. Many jobs have been exported from EU countries in the last decade. Such companies will increasingly compare the relative attraction of Europe as a location for productive activity with other locations around the globe.

2.1.8. Inward investment contributes largely to EU employment and GDP, and the enterprises involved are naturally concerned about the relative competitiveness of their subsidiaries located in the EU. As globalisation becomes universal, and the same group of companies, wherever domiciled (Europe, Asia, USA, ...) become omnipresent, the actual domicile of such companies becomes increasingly less important. Companies gear their investment decisions according to the attractiveness of locations in different countries and regions worldwide.

2.1.9. Amongst the key considerations for a 'business-friendly' location are labour force skills, employment costs, taxation, physical infrastructure and the legal framework. Well functioning social dialogue, social harmony, work motivation and local markets are also important. These are the issues on which politicians should focus. The challenge for EU locations is to maintain a balance between the superiority of its workforce skills, the quality of the infrastructure and the environment on the one hand and the costs of doing business on the other. (see points 1.4 to 1.6).

2.2. Small and medium-sized enterprises

Nearly all enterprises fall into the small and medium category. There are actually very few large enterprises. Most SMEs quoted on a stock exchange will be of medium size, with nearer 200 employees than 20. For the purposes of this analysis they should be grouped with the large enterprises.

2.2.1. SMEs in private hands in countries like Germany and Italy have been the backbone of their economies. Traditionally they have been financed by family capital, not risk capital. As the generations change, many such companies are seeking outside capital and ownership. Again, it is important that such developments are not inhibited. It is of course important that capital is channelled into productive investment, and not purely speculation.

2.2.2. Within the Communication there is much discussion of venture capital — especially the US version — and the part
it can play in the formation and growth of SMEs (1). US venture capitalism offers high risks and high rewards all round — for venture capitalists, entrepreneurs and employees. Entrepreneurs and their employees enjoy stock options over a proportion of the company's capital way beyond the institutional norms of Western Europe. It is a feature of the system that ventures can just as well fail as succeed. This does not disqualify an entrepreneur from trying again. The role of NASDAQ (2) is to let the venture capitalists sell out to shareholders as soon as the venture is sufficiently advanced to be saleable, so that the venture capital can then be recycled into new ventures.

2.2.3. European ventures can be sold to the public on a number of national exchanges and there is also access to EASDAQ (3) and NASDAQ. The European public is very receptive to this type of investment, so venture capital exits are assured. The infrastructure of European capital markets still lacks critical mass so entrepreneurs have difficulty accessing capital. There is also a relative shortage of European high-tech ventures. It is in the absence of these that venture capital has to resort to refinancing family companies and supporting the restructuring of European companies via management buy outs (MBOs) (4).

2.2.4. As a manifestation of ‘man’s’ creative ability and in the context of a high level of unemployment, the creation of an enterprise with the associated jobs should be given considerable social recognition. This is unfortunately not always the case. Accordingly, there is ‘brain-drain’ of many potential entrepreneurs out of the EU. To correct this situation, the Committee supports many of the ideas included in the Communication:

— risk-taking does need to be encouraged;

— the stigma attached to honest business failure should be lessened by establishing appropriate regulations for bankruptcy and insolvency (although this might be difficult to achieve);

— the taxation system applied to small companies and the burden of payroll taxes should be reviewed;

— the capital gains tax regime should not penalise entrepreneurs or employees who become rich through company ownership or stock options;

— rates of death duties and inheritance taxes should be reviewed in order to ensure the survival of family enterprises;

— national systems of public recognition should embrace entrepreneurs who create significant employment;

— entrepreneurs in high-tech industries are becoming global role models: EU countries should foster theirs;

— we do need to expose students to the entrepreneurial culture and to make business management education an important component of university education;

— universities need to be entrepreneurial in the exploitation of their technologies;

— enterprise parks for technology transfer have great potential and should be attached to the major technological universities.

2.2.5. In addition to the entrepreneurial ‘drain’, the USA also acts as a magnet to technologists attracted by the employment opportunities. Presumably the response to this trend is to make technological employment and personal advancement as attractive in the EU.

2.2.6. The Communication is rightly concerned about the encouragement of high-tech start-ups with a potential to grow, compete globally, and create jobs. It is vital to ensure an adequate supply of students to scientific and engineering disciplines, and then to teach them in an entrepreneurial environment. Competitions and prizes should be used to focus science students on innovation and exploitation. Single small companies which cannot get financial support from the Fifth Framework Programme without collaboration with third parties need support from their national governments. Additional financial support should be available to new technology ventures, both in the form of direct grants and tax write-offs for R&D. The system for protecting intellectual property must also be improved, particularly to help entrepreneurs in high-tech fields.

2.2.7. Stimulating the supply side via technological entrepreneurship is not, of course, sufficient to solve the problem that Europe lags behind the USA in high-tech start-ups. There is also a demand issue, whether for information society technologies, biotechnology or energy technology. To some extent public authorities can create this demand, but the attitudes of business and the general public are also critical.

2.2.8. All over Europe, entrepreneurs are angry about the burden of regulation and red tape. At its inception the firm will have only one or two managers. They will be fully engaged in establishing the company and creating the markets which will support employment. A reduction is therefore needed in the red tape which hinders start ups and makes it difficult for new firms to survive. In some countries the response from the authorities is deplorable, whether for authorisation to start a business, or to keep it running.
3. Specific Observations on the Communication Text

3.1. Section I — Trends — the phenomenon of globalisation

The Committee broadly accepts the trends analysis included in the Communication, to which the following additions should be made:

3.1.1. The Communication highlights the importance of those industries which are ‘outstripping traditional sectors in growth, capitalisation and exportability’. Companies in these industries have few assets except human capital. After a decade in which job creation in the USA has been equated in Europe only with ‘Mac’-jobs, the Communication reveals the real impact: ‘Between 1995 and 1996 the information technology and electronics industries added 250 000 jobs to the American economy. Two million jobs are generated annually from the software industry, which accounts for more than 44 000 companies’. The challenge for Europe is to create the business culture in which such firms can flourish here.

3.1.2. The Communication discusses Europe’s capacity to compete in these new industries; although this must indeed be regarded as a challenge, it will not be easy. The knowledge industries and E-commerce in the USA are, after all, developing in an archetypal free market. That market is fulfilling its classic role as a process of ‘discovery’ to find out what sells and what does not, what works and what does not, what succeeds and what fails. Hence some venture companies succeed, but many more fail. Many that succeed go on to export their success. Even if not exporting, the unified US market is far easier for a start-up company to exploit than the fragmented European market.

3.1.3. It is not clear from the Communication how the Commission believes that Europe should compete and how aspects of the US model can be adopted without accepting the liberal philosophy which underlies it. If a company in the US fails, all involved can start again. Hence, the process of ‘discovery’ extends to the entrepreneur, who can keep trying, as well as to the employees, who can keep re-forming the enterprise. It is not, however, possible simply to transfer the US model to Europe. In the EU, a balance must be achieved between creating the necessary business culture while maintaining economic and social cohesion.

3.2. Section II — The position of European enterprises

3.2.1. The Communication proposes the following elements for diagnosis:

a) Competitiveness: the need for new definitions.

b) The position of industry: traditional rather than high-growth.

c) Cultural identity and audiovisual business: a challenge and an opportunity.

d) Science and technology policy: insufficient effort and room for improvement in organisation.

e) Inefficient patent and licence trading system.

f) Alliances, mergers and acquisitions in advanced fields: a degree of inhibition.

g) Europe has not developed risk-taking sufficiently.

While the Committee accepts much of this diagnosis, there are a number of points to make, as follows:

3.2.2. The limited use of information technology

3.2.2.1. An important contributory factor is the high cost of telecommunications. A more fundamental concern is the nature of the changes which are needed within the enterprise if the full benefits of IT are to be realised. These involve organisation structure, job content, working practices etc. It is clear to the Committee that promotion of the use of IT depends to a large extent on the quality of management and the investment climate. Moreover, there is a need to examine whether EU legislation is sufficiently geared to such reorganisation of employment. Here, too, we need to create a balance, as outlined in the above paragraphs. The need to ensure proper living and working conditions in the EU is, however, beyond dispute.

3.2.2.2. The successful use of information technology requires a high level of individual IT skills. In part this is an issue for the quantity and quality of IT professionals available to companies in the EU market. In this context the career opportunities for women are under-developed. In addition to professional skills, the general level of user skills in both management and the workforce is a most important issue for the competitiveness of European companies. Increased IT skills and understanding need to be acquired by individuals with ambition and provided by companies which wish to compete.

3.2.3. The delayed globalisation of business services

3.2.3.1. The Communication states that Europe lags behind the USA in business services, but does not explain why. The reason for this is that capital markets have been slow to develop in Europe. As a result, services related to IPOs (Initial Public Offerings), M&A (mergers and acquisitions), corporate reporting and other public company activities are underdeveloped. Hence, this sector is dominated by foreign investment banks, law firms, brokers, accountants, auditors and financial PR firms. There is a related shortfall of European firms in personal financial services because pension provision has
historically been nationalised in most Member States and stock markets are underdeveloped as a repository for personal savings.

3.2.3.2. The other dimension of service-business development is outsourcing; this is the process by which enterprises concentrate on their core functions and contract-out peripheral service functions. Independent service firms are created in this process for activities as diverse as logistics, building operations, catering, information technology, public relations, etc. In Europe this form of specialisation started somewhat later.

3.2.3.3. The Communication says that ‘action to exploit the employment potential of the services sector forms an important element of the European employment strategy’. The EU and the Member States could help this process by creating the requisite general conditions. This can include encouraging public authorities to contract out the service component of their employment. This could also improve the quality of service provided to both the authorities and the public.

3.2.4. Science and technology policy

The data given in the Communication is not adequate to explain the differences in R&D expenditure between the USA, the EU and Japan. R&D relates to industry sectors in which enterprises are active. The key issues are the relative amounts spent at sector level and the number of enterprises per sector. In this way we could at least determine whether comparative enterprise R&D is deficient — e.g. Rolls Royce versus General Electric, Volkswagen versus Ford, Philips versus Sony, or Glaxo versus Merck. If Europe is deficient in R&D in high-tech industries, this is, in part, because Europe suffers from a deficit of enterprises in those sectors. In general, European enterprises are not entering the new industries, nor are enough new companies being formed. There are, of course, exceptions like SAP and Nokia [see also 3.3.5 (g)].

3.3. Section III — Pointers to a new industrial policy

The opening paragraph of this section of the Communication reads as follows:

‘The analysis of world trends and of Europe’s position highlights the need to adapt its industrial policy, notably to spread the enterprise culture and encourage risk-taking and to promote the emergence of innovative companies able and willing to conquer the world market.’

3.3.1. This is to be achieved by the following actions:

a) Adapting the systems for acquiring skills and fostering the spirit of enterprise.

b) Improving the system for research, take-up of results.

c) Facilitating risk-taking.

d) Redirecting public aid to enterprises towards intangible investment.

e) Developing human capital.

f) Increasing mobility for individuals.

g) Further harnessing the competitive advantages offered by the single market.

h) Ensuring efficient competition, which would allow the global innovative nature of markets to be taken into account.

i) Continuing the successful efforts in liberalising public utilities.

j) Promoting the establishment of a global framework for competition.

k) Monitoring enforcement of the rules.

l) Defending European positions: greater vigilance, preparing negotiations, working together.

m) Working towards close coordination at world level.

n) Placing greater responsibility in industry.

o) Promoting the interests of consumers and users.

3.3.2. The measures (j) to (o) fall within the general heading of ‘promoting a global consensus and level playing-field’. These actions, taken together, describe a proactive role for the EU in WTO and other global trade negotiations which has the full support of the Committee. Clearly the EU has an important role to play in establishing a new world order. In order to do so, it must be careful to retain its moral authority, particularly since the European social model is at stake. Recent disagreements with the WTO, where rulings about bananas and beef have been rejected, could compromise the position of the EU in future disputes where the EU itself might wish to rely on WTO rulings against third parties.

3.3.2.1. EU enterprises would be more competitive on the global market if comparable conditions of competition, in particular labour-law standards, also applied in other parts of the world. In the forthcoming WTO negotiations, the EU should particularly press for improvements in labour-law standards throughout the world, on the basis of the work carried out by the ILO.

3.3.2.2. The social partners should seek to encourage acceptance of the European model via contacts with related organisations in other parts of the world.

3.3.2.3. Our trading partners will, of course, be concerned that in some cases we may be attempting to transfer some of the overhead costs of our economic and social model to them. In order to ensure the competitiveness of European enterprises, the Commission will have to consider for relief any extra cost burden on European business which cannot be transferred in this way. However, the first priority must be to promote the social standard of the European model.
3.3.3. Concerning point (b), research, three actions are proposed. The Committee is fully supportive of these. The Committee has given an Opinion on the Fifth Framework Programme(1). The success of the pilot I-TEC investment initiative is encouraging and the Committee looks forward to its extension under the Fifth Framework Programme. The need to improve the patent system is recognised and the Committee looks forward to the Commission’s planned initiatives.

c) Agreed accounting standards would be a great benefit. Cross-border M&A activity is significantly hindered by uncertainty about the value of target companies.

d) Coordination of tax systems is a two-edged sword. Overall rates of tax on business and employment vary widely. It is possible that harmonisation could involve higher taxes in certain countries, which would hit the competitiveness of enterprises. Any reform needs to be carefully considered from the points of view of competitiveness and employment.

e) Adaptation of the regulatory framework for the information society could be of great benefit. Some of the issues were explored in the ‘Convergence’ Green Paper last year(2). The European Council has asked the Commission to work on the framework conditions for the information society, and the ESC is most anxious to review any ensuing proposals.

f) The advent of the euro has very positive aspects, creating universal capital markets with real depth and liquidity for equities and bonds. However, the right general conditions will have to be established for these markets to operate properly. In due course, transparent euro pricing will give a big boost to competitiveness in the Internal Market.

g) Nevertheless, the Committee believes that there is scope for more institutional and industrial policy integration in such areas as national support to R&D and defence and infrastructure procurement.

3.3.4. The ESC fully supports the Commission’s recommendations regarding the development of human capital (c).

3.3.4.1. The EU needs to give priority to training and developing people (see point 1.5 of the opinion) in order to enable technology to be developed and exploited and in order to safeguard quality and high added value. Special attention should also be paid in this context to encouraging entrepreneurial spirit.

3.3.4.2. To be competitive, human resources must form an enterprise, led by an entrepreneur. However skilled, a work force needs leadership to achieve its full potential. Customers create jobs, entrepreneurs create customers, society must create entrepreneurs. Within the development of human capital, encouragement of the entrepreneurial spirit must have a high priority.

3.3.4.3. The entrepreneurial culture needs to start in schools, and with our attitudes to jobs for school children. EU students do not generally receive training in enterprise and entrepreneurship and to appreciate the role of business in society. There are, however, some exceptions, where business sponsored training programmes in ‘entrepreneurship’ have become increasingly common in secondary schools and are apparently very successful.

3.3.4.4. The ESC believes that the Commission should take active measures to spread knowledge of benchmarking examples, to encourage its extension to further countries in various ways, and to emulate training programmes in entrepreneurship which have been tried out successfully in different places in the ordinary basic school system — such as ‘Young Enterprise’ in the UK, ‘Jeune Entreprise’ in France and ‘Ung Företagsamhet’ in Sweden. European Social Fund financing could be appropriate for such initiatives.

3.3.5. Concerning point (g) (Further harnessing of competitive advantages offered by the single market), the Committee agrees with the statement that ‘the single market gives firms in the Union a competitive advantage’.

a) European standardisation is a real strength. GSM is a case in point.

b) A European company statute will be welcomed by companies operating in multiple countries of the Union.

c) Agreed accounting standards would be a great benefit. Cross-border M&A activity is significantly hindered by uncertainty about the value of target companies.

d) Coordination of tax systems is a two-edged sword. Overall rates of tax on business and employment vary widely. It is possible that harmonisation could involve higher taxes in certain countries, which would hit the competitiveness of enterprises. Any reform needs to be carefully considered from the points of view of competitiveness and employment.

e) Adaptation of the regulatory framework for the information society could be of great benefit. Some of the issues were explored in the ‘Convergence’ Green Paper last year(2). The European Council has asked the Commission to work on the framework conditions for the information society, and the ESC is most anxious to review any ensuing proposals.

f) The advent of the euro has very positive aspects, creating universal capital markets with real depth and liquidity for equities and bonds. However, the right general conditions will have to be established for these markets to operate properly. In due course, transparent euro pricing will give a big boost to competitiveness in the Internal Market.

g) Nevertheless, the Committee believes that there is scope for more institutional and industrial policy integration in such areas as national support to R&D and defence and infrastructure procurement.

3.3.6. Point (h) relates to competition and the Committee endorses the statement that ‘enterprises that evolve in a highly competitive environment in their market of origin are better equipped to confront globalisation’. The Communication points out that the geographical delineation of the market may now be global. This is borne out by mergers such as those between BP and Amoco and between Daimler and Chrysler. However, we should not forget that competitiveness is very often based on geographic clusters of companies supported by relevant ancillary businesses. Competition policy should therefore seek to encourage and maintain a highly competitive environment for EU companies in their market of origin. The Committee endorses the Communication’s statement on dominance. Barriers to entry must be prevented except and until a new product or service is established. Due regard must, nevertheless, be had for anti-trust legislation, and maximum attention paid to protection from market dominating firms.

3.3.7. With regard to point n) — Placing greater responsibility on industry for competitiveness, the Committee thinks that not only enterprises but also the associations representing both large enterprises and SMEs must be involved. They should therefore seek to establish relationships with equivalent associations on a global basis.


4. Conclusion

4.1. The Committee welcomes the Communication from the Commission. It is in full agreement with the analysis quoted in point 3.3 and with many of the actions proposed.

4.2. The conclusion of the Communication states:

‘New forms of competition are emerging under the pressure of globalisation geared more towards the mastering of technologies, access to global markets, speed of action, innovation and intangible investment. Europe, reinforced by the euro, must harness the potential of these economic changes to unleash the strength of its entrepreneurs and build up fresh momentum for employment. In international fora it must promote its values, in particular the integration of markets, cultural identity and social protection.’

4.3. The Committee is asked to participate in the debate with the Commission, the Council, the Parliament and the Committee of the Regions as to how these objectives may be achieved. In order to begin the debate the Committee poses the following questions:

4.3.1. If all foreign domiciled enterprises operating in Europe are classified as ‘European’, what are the implications for industrial policy?

4.3.2. To what extent is the late development of capital markets in continental Europe still holding back the participation of European enterprises in global markets and global M&A activity?

4.3.3. How can the EU and Member States help current and former nationalised enterprises to participate in the rationalisation of European enterprises into competitive combinations with global scale? How can the impact of such restructuring on all stakeholders be mitigated?

4.3.4. Can Europe develop a form of venture capital compatible with the norms of social market economy?

4.3.5. What steps can be taken to develop the European market demand for high-tech products and services, so that there is demand pull as well as technological push?

4.3.6. What steps should the EU take to promote its values, particularly the social market model, in international fora? What are the alternatives if it fails, or is only partly successful?

4.3.7. In total, are the actions outlined in Section III of the Communication really sufficient to facilitate the spread of a new enterprise culture, encourage risk-taking and promote the emergence of innovative companies able and willing to conquer world markets? Can the industrial framework and business culture be adapted while economic and social cohesion is preserved? At stake is the ability of Europe to create enterprises which can compete effectively in the 21st century.

Brussels, 23 September 1999.

The President
of the Economic and Social Committee
Beatrice RANGONI MACHIAVELLI
APPENDIX

to the Opinion of the Economic and Social Committee

The following amendments, which obtained more than one quarter of the votes cast, were rejected during the discussions.

**Point 3.2.3.3**

Delete the last two sentences of this point and replace them by the following:

‘There is a considerable demand — matched by corresponding employment potential — in the field of labour-intensive personal services, in particular.’

*Reasons*

Outsourcing, per se, no longer guarantees quality service. Given the high level of unemployment, we should not be seeking to outsource existing jobs but rather to find new scope for employment. The economic strength of a state — and thus also its degree of competitiveness — lies in its very ability to cover the demand for goods and services.

*Result of the vote*


**Point 3.3.2.3**

Delete.

*Reason*

This point makes no sense economically. It confuses microeconomic and macroeconomic conditions.

*Result of the vote*

For: 64, against: 66, abstentions: 9.

**Point 3.3.4.2**

Delete.

*Result of the vote*

For: 58, against: 68, abstentions: 12.

The following section opinion texts, which obtained more than one quarter of the votes cast in favour of their retention, were rejected in favour of amendments adopted by the assembly.

**Point 1.6**

‘Competitiveness requires that an enterprise can add value to factors of production to win customers in open markets at prices which allow taxes to be paid, investments to be made and shareholder value to be achieved. In this way, the interests of all stakeholders can be secured and employment protected and expanded. The role of government is to ensure that the legislative environment is supportive, and that business and payroll taxes are not punitive. In the EU, governments also provide social security to mitigate the impact on employees of company failures in a competitive and globalised environment.’
Result of the vote
For: 79, against: 62, abstentions: 3.

Point 2.2.4 — Third indent
‘taxes on small companies should be reduced and simplified, and the burden of payroll taxes should be reviewed;’

Result of the vote
For: 69, against: 67, abstentions: 2.

Point 2.2.4 — Fifth indent
‘reduced rates of death duties and inheritance taxes should be adapted to allow companies or their value to be kept in families;’

Result of the vote
For: 73, against: 66, abstentions: 3.

Point 3.1.3
‘It is not clear from the Communication how the Commission believes that Europe should compete and how aspects of the US model can be adopted without accepting the liberal philosophy which underlies it. It is particularly easy to form companies in the USA. There are few restrictions on employment, working hours, etc. A real “enterprise” can be formed by an entrepreneur and his team of employees. If a company fails, all involved can start again. Hence, the process of “discovery” extends to the entrepreneur, who can keep trying, as well as to the employees, who can keep re-forming the enterprise. In the EU, a balance must be achieved between creating the necessary business culture while maintaining economic and social cohesion.’

Result of the vote