

Enterprise in Europe

Resolution of the Economic and Social Commission
adopted by the Brussels Central Council (8 December 2006)

The Economic and Social Commission of the European League for Economic Cooperation, meeting in Brussels on 15 September 2006 to consider questions pertaining to companies in Europe, has adopted the following recommendations regarding enterprises in Europe after hearing representatives of the European employers' association (UNICE) and of the European Commission:

- ◇ **the good governance** of companies is a matter of much concern to public opinion. It should essentially rest on a proper organization of the relationships between the shareholders, the management and the Board of Directors. It also requires an increased effort at transparency in such matters as the comprehensibility of accounts, the independence of directors, managers' compensation, and the methods of attribution and valuation of stock options (the principle of which the commission nevertheless approves). The holding of shares by employees should also be developed and encouraged;
- ◇ **the public regulation** of governance has sometimes gone too far (Sarbanes-Oxley law). The commission's preference is for an approach in terms of principles - provided that their application can be verified and as far as possible sanctioned - rather than via detailed prescriptions the merely formal application of which can empty governance of any real meaning. The commission also stresses that self-regulation and professional codes of conduct must continue to play their part;
- ◇ **the statute for a European company** represents an important progress: however, its effective implementation is handicapped by a lack of convergence in corporate taxation and worker participation. The commission, noting that there are 23 million heads of businesses in the EU, hopes for a special simplified regime to be introduced for the benefit of SMEs. More generally, an effort must be made to harmonise property and business law (contract law, trust status, guarantees, employers' obligations, etc) within Europe, and even labour law. At the very least, the adoption of common general basic principles on these matters would be a forward step, and should not be prevented by too broad an interpretation of the subsidiarity principle;
- ◇ **the new IFRS accounting standards**, compulsory since 2005 for quoted companies, pose practical problems - the discussion over the generalized 'fair value' approach, the somewhat unrepresentative composition of the IASB board, and the high costs of implementation. The commission wishes for an extra effort to be made toward harmonization between the US GAAP standards, IFRS standards and perhaps the Japanese standards, whilst aiming at getting as close as possible to a principle-based approach;
- ◇ **the protection of intellectual property** is vital for companies, particularly for the more innovative ones. This is a crucial aspect of the balance of power in technological development. The commission calls for solid progress to reduce the still-high cost of patents within the EU, among others by adopting a single registration system and by granting the European Court of Justice centralised jurisdiction to facilitate the settling of disputes;

- ◇ **the regulatory provisions for takeovers**, solicited or otherwise, should resume their convergence as soon as possible. The commission welcomes the fact that the European Union has begun to tackle this problem. It regards it as particularly important to define systems which give greater power of decision to the more permanent shareholders and associate the other stakeholders, notably the management and employees.

Beyond these legislative aspects, the commission deems it necessary, more generally, to improve **the perception of enterprise**, which in some countries too often has a negative image in the public and even in political circles;

- ◇ **the entrepreneurial spirit** is vital for growth in Europe and for the success of the 'Lisbon strategy', which continues to stall despite the efforts of the European Commission, and which should become a genuine priority for Member States. A major effort must be made to further encourage the economic and financial risk-taking implied by this entrepreneurial spirit in all sectors. This implies the availability of finance, and banking organizations flexible enough to encourage start-up companies. Similarly, obstacles to creativity such as excessive regulation and bureaucratic burdens should be eliminated as far as possible;
- ◇ while respecting its essentially educational purpose, **the education system** must reflect the realities of business much more. Teachers should be trained appropriately: the micro-economics should be included in the curriculum, along with business games and mini-enterprise tests in secondary schools. Enterprises themselves, as a matter of corporate responsibility, should make a greater contribution to support these efforts (welcoming trainees, supporting teaching within schools etc.). Better use must be made of technical and vocational training and of day-release or sandwich courses;
- ◇ it is increasingly understood that **training** must continue throughout the career, in particular at a time when there is pressure to extend the working life. The recognition of vocational qualifications, based on quality control, is thus important, particularly as it is crucial for workforce mobility within Europe. The European Commission's work in this area should be resumed and strengthened.
