

The Right Honourable Tony Blair MP
Prime Minister of the United Kingdom
President of the European Council
10 Downing Street
London SW1A 2AA
United Kingdom

30 November 2005

THE PRESIDENT

Dear Prime Minister,

I would like to thank you for your letter of 21 November, referring to our earlier meeting, in which you call for a forceful contribution from UNICE in finding solutions to meet present challenges.

In this spirit, allow me convey to you our message in advance of the European Council Summit in December. The European business community, which UNICE represents, finds it essential that the UK Presidency successfully concludes the discussions on a well-adjusted and forward-looking EU budget for the programming period 2007-13. Failure to come to a satisfactory agreement, making the next Financial Perspectives an integral part of the growth and jobs strategy, could be highly damaging.

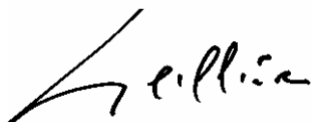
First, it would deepen the lack of confidence, including from businesses, in the functioning of EU institutions following an unfortunate sequence of governance setbacks. Second, a delay in the programming of structural and cohesion funds would be detrimental, especially to new Member States.

A suitable compromise is necessary, but would appear feasible as well. President Barroso took a welcome initiative to relaunch the debate on the Financial Perspectives, on the basis of the last negotiating box of the Luxembourg Presidency. European businesses look favourably on some of his proposals and do hope that, with the suggestions you have recently put forward, it will still be possible to enhance the overall coherence of the budget around competitiveness objectives. Appended to this letter, you will find a more detailed assessment of UNICE on President Barroso's communication.

As to the crucial issue of budgetary imbalances, and referring to what you said in front of the European Parliament in June this year, the solution implies that a right balance has to be found between the capacity to pay and a fair sharing of the cost of enlargement.

When we met in London on 6 October, I expressed my confidence that the UK Presidency would not spare any effort to pull Europe out of its current difficulties. You are now in a unique position to forge a budgetary agreement in December. We rely on you.

Yours sincerely,



Ernest Antoine Seillière

**UNICE COMMENTS ON PRESIDENT BARROSO'S PROPOSALS OF TO RELAUNCH
NEGOTIATIONS ON THE FINANCIAL PERSPECTIVES 2007-13**

1. Competitiveness and cohesion

The suggested redeployment of cohesion policy around competitiveness-enhancing objectives is fully endorsed by UNICE, as this could give important leverage to promote the Lisbon objectives at national and local level. This principle applied to rural development would also be welcomed.

The quantitative target of a minimum of 60% of cohesion spending devoted to competitiveness is a step forward. UNICE expects in this regard that progress in shifting cohesion spending towards competitiveness will be an integral part of the assessment of Member States' compliance with Lisbon objectives in advance of the Spring summit.

2. Competitiveness for growth and employment

In any event, a cohesion policy made more coherent with the Lisbon strategy cannot be a substitute for a significant rebalancing of the Financial Perspectives towards items under the competitiveness heading (1a). In this regard, the ceiling put forward by the Luxembourg presidency in June, which was already drastically reduced from the Commission's original proposal, should be viewed as the bare minimum. A forward-looking EU budget has to give a clearer priority to spending on research, trans-European networks, training, education and support to innovative SMEs.

In particular, we insist that any compromise should secure a very significant increase in resources allocated to research. We also call for the preservation of new initiatives foreseen under the 7th Research and Development Framework Programme (FP7), such as European Technology Platforms, Joint Technology Initiatives and the Risk-Sharing Finance Facility to be set up by the European Investment Bank. These schemes should encourage Public-Private Partnerships (PPPs) in research, will help to close the gap between financial needs and resource constraints, and will accelerate the innovative exploitation of research results.

3. Globalisation Adjustment Fund

UNICE has strong doubts about the rationale for this fund at EU level. The redesigned structural funds should provide the right answer to globalisation, as these new programmes will aim at modernising labour markets and seek to anticipate changes in sectors where structural adjustments are more likely.

If a developing crisis in a specific sector or region needs to be addressed, structural programmes can always be redeployed without having to resort to new mechanisms. In addition, there is a distinct risk of misallocation of the funds owing to an inherent difficulty in prioritising the interventions.

4. Common Agricultural Policy

UNICE reaffirms that whatever final envelope is decided for spending on agriculture, this should not bar a significant increase of the share of competitiveness programmes in the EU budget.

Otherwise, the Commission proposal to enhance expenditure for rural development could be supported.

5. Review of the EU budget from 2009

Some progress in the modernisation of the budget can be achieved over the programming period 2007-13, but a more complete overhaul of expenditure and revenue structures is clearly needed to respond to the challenges of an increasingly global and knowledge-based environment.

For such profound reform to be effective, some directions should already be agreed upon, allowing a more ambitious allocation of resources to competitiveness objectives.

More transparency and accountability in the financing of the budget would also be welcome, but businesses would disapprove of any option involving higher taxation.

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