



Mr Janez Janša  
Prime Minister of the Republic of Slovenia  
Office of the Prime Minister  
Gregorčičeva 20, 25  
1000 Ljubljana  
Slovenia

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Dear Prime Minister,

With the Lisbon reform treaty bringing an end to a period of institutional uncertainty and deadlocks, the Slovenian Presidency has leeway to progress on a series of crucial dossiers for the future of the EU. I would like to highlight three points of particular interest to the business community for the first semester of 2008.

First of all, in the context of the EU Lisbon strategy review for the remaining cycle 2008-10, BUSINESSEUROPE emphasises the need to step up actual implementation of national reforms as a matter of priority, rather than reopening counterproductive discussions on framework instruments. Enhancing reform delivery is first and foremost a matter for national governments, but efforts on the part of EU institutions are also needed to foster more ownership of their recommendations and increase the pressure on those failing to meet their commitments. BUSINESSEUROPE considers that labour market reforms remain a major priority in most member states. We are fully supportive of a flexicurity approach and expect it to remove important stumbling blocks to the modernisation of European labour markets. Following the EU Social Partners' joint recommendations presented in October, the European Parliament backed flexicurity in a vote at the end of November and the European Council endorsed common principles in December, thereby paving the way for swift implementation at the national level.

Additional commitments from national authorities will also be needed to achieve a strong, competitive and well-functioning single market, and in particular to make the most of the recently adopted Single Market Review Package. Regarding policies supporting SME development and innovation, the business community calls for further progress towards coherent, integrated and reinforced policies and looks forward to discussing the Commission proposal for a European Small Business Act.

Second, in line with the goal of the Lisbon strategy, fighting climate change within a strategy that preserves European competitiveness and economic growth should be at the heart of the EU's policy agenda. For the business community, reaching the targets on greenhouse gas reduction in a cost-effective way calls for a stronger emphasis on energy efficiency. Industry, households, transport and commerce must use the substantial room for improvement in this area and make efforts commensurate with their share in CO<sub>2</sub> emissions. BUSINESSEUROPE has serious concerns regarding the costs



of increasing the share of renewable energy sources and invites the Slovenian Presidency to foster a sincere debate on the most efficient and effective means to reduce emissions, keeping the door open for all technology options including nuclear energy. In addition, the future of the EU Emission Trading Scheme (ETS) will deserve careful consideration, and appropriate attention must be given to solutions compatible with the competitiveness of energy-intensive industries. In particular, BUSINESSEUROPE is opposed to making auctioning the general allocation method of the ETS after 2012, and encourages the European Commission to take up other approaches such as introducing technological benchmarking. Most importantly, an agreement on climate protection needs to be reached on a global scale and it will be a key responsibility for your Presidency to enable the EU to enter international negotiations on the post-2012 era on a solid foundation.

Third, BUSINESSEUROPE encourages the Slovenian Presidency to exercise strong international leadership on issues of major economic importance. WTO negotiations are moving towards the final phase and it is essential that the EU continues to play a constructive and leading role to deliver new business opportunities and to strengthen the multilateral trading system. With the US, the work of the Transatlantic Economic Council must achieve significant improvements for transatlantic trade and investment. With Russia, European business urges the Slovenian Presidency to promote European export and investment interests by moving negotiations forward on a new EU-Russia bilateral trade and investment agreement with the new Russian government. Finally, on enlargement, the EU must keep its course regarding current negotiations and provide leadership in finding diplomatic solutions to challenges in the Western Balkans. We believe that the future prospect of accession to the EU could facilitate diplomatic efforts to bring peace and stability to the region.

Slovenia has undergone tremendous changes in recent years, joining the EU in 2004, adopting the euro in 2007 and now assuming the Presidency of the Union over the next six months. These are great achievements and I wish you all the best for a successful Presidency. I look forward to working with you and your government on an ambitious EU agenda reinforcing competitiveness and fostering sustainable growth across Europe.

Yours sincerely,

Ernest-Antoine Seillière



### NOTE FOR SLOVENIAN PRIME MINISTER, MR JANEZ JANSKA

### MEETING WITH BUSINESSEUROPE PRESIDENT ERNEST-ANTOINE SEILLIÈRE AND ZDS PRESIDENT BORUT MEH

LJUBLJANA, 18 DECEMBER 2007

#### I. Economic situation

Europe's economic fundamentals remain supportive for the time being. However, recent developments – euro appreciation, financial market turmoil and credit crisis, recession risks in the US and record oil prices – are subjecting this outlook to a stress test and creating an environment that is unusually uncertain for European companies.

In this challenging environment, it is essential to address key priorities rapidly and decisively. These include:

- restoring stronger productivity growth, which is expected to remain low and barely exceed 1.5% even at the top of the current business cycle.
- reducing competitiveness imbalances between member states, especially within the euro area.
- guaranteeing sound public finances and welfare systems and actively consolidating public expenditure. In particular, governments must abide by their commitments to bring budgets close to balance in all euro-area countries by 2010.

#### II. Lisbon Strategy and Spring Council

##### **National reform progress and flexicurity**

The business community confirms that the Lisbon agenda has made important steps forward since its overhaul in 2005. However, as emphasised in BUSINESSEUROPE's Autumn Reform Barometer<sup>1</sup>, national reform progress has been mixed in 2007.

1. Reform progress in six countries representing 42% of EU27 GDP was clearly lagging behind in 2007 (Italy, Germany, Spain, Bulgaria, Estonia, and Slovakia). This contrasts with more significant efforts achieved in 13, mostly smaller member states (Denmark, Hungary, Malta, Sweden, Austria, Ireland, Cyprus, Slovenia, France, Netherlands, Luxembourg, Greece, and Latvia).
2. In the context of the EU Lisbon strategy review for the next three-year cycle, closing the substantial implementation gap in most member states is of utmost importance. Past recommendations to EU member states remain broadly relevant and should be reconfirmed in most cases for 2008. A thorough re-discussion of framework instruments such as the Integrated Guidelines for Growth and Jobs would be counterproductive and divert attention from real progress on the ground.
3. Labour market reforms and measures to support the sustainability of public finances remain the highest policy priorities at national level. Yet, progress in these two areas has been slower than expected in 2007 and altogether disappointing. Nevertheless, the business community expresses confidence that an increasing political consensus around the so-called flexicurity approach could help remove important stumbling blocks to the modernisation of European labour markets, i.e. member states must put in place a policy mix incorporating flexible labour markets,

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<sup>1</sup> For detailed results, please consult our website [www.business-europe.eu/Content/Default.asp?PageID=491](http://www.business-europe.eu/Content/Default.asp?PageID=491)



efficient active labour market policies, effective lifelong learning systems and employment-friendly social protection systems.

4. In new member states, a reform fatigue is apparent in a large number of countries, despite the still daunting challenges ahead to ensure a sustainable process of convergence. This said, Slovenia which joined the euro in 2007, and Malta and Cyprus which will join on 1 January 2008, are continuing on the path of positive reform dynamics.

In order to accelerate the delivery of concrete results the Lisbon strategy's goals should be better reflected by the EU budget. The review agreed upon by the European Council in 2005 gives the Slovenian Presidency a golden opportunity to open and stimulate an in-depth debate on the EU's long-term objectives that a modern forward-looking EU budget needs to meet.

### **SMEs and Small Business Act**

Small and medium-sized companies are the backbone of the European economy but still face numerous obstacles to growth. BUSINESSEUROPE welcomes the conclusions of the November Competitiveness Council. Coherent, integrated and reinforced policies in favour of SMEs and entrepreneurship are needed, in order to further unlock the growth and innovation potential of European SMEs, rather than preferential schemes. BUSINESSEUROPE urges the EU and member states to make real progress, in particular in implementation of the "think-small-first principle", and looks forward to discussing the Commission proposal regarding the European Small Business Act.

The business community also awaits clear proposals for a European Private Company Statute with a view to facilitating cross-border activities of SMEs. BUSINESSEUROPE will continue to participate actively in this debate as we strongly believe that this optional tool should provide SMEs with a legal form suited to their specific needs and size, contributing more effectively to the development of the Internal Market.

### **Single market**

BUSINESSEUROPE supports the Commission's Single Market Package and its aim of making it function better and deliver more for citizens and enterprises. All interested parties, particularly national governments, must put in place the necessary resources to turn this project from rhetoric into reality.

Policies should reinforce competitiveness of European companies and promote innovation. In particular, business welcomes stronger focus on:

- better regulation, reduction of burden and legal certainty
- the reality of SMEs in the Single Market
- closer monitoring of strategic and economically important sectors
- evidence-based and impact-driven policy-making
- effective application and enforcement of existing rules
- partnership between the Commission and member states
- international dimension of the Single Market

On services of general interest, BUSINESSEUROPE considers that the new protocol in the Reform Treaty and the existing legal framework provide adequate support for the development of high-quality, affordable public services in an open and competitive market.

**Better regulation and simplification**

The 2008 Spring European Council will consider an important review of the better regulation project with a special focus on the progress on simplification and impact assessments. It is vital that simplification, impact assessments and lower administrative costs generate concrete results. The Council and European Parliament should improve working methods to ensure that simplification proposals are dealt with more rapidly, and that they make better progress with respect to systematic impact assessments on amendments. A good example is the proposed exercise whereby the Commission seeks to simplify company law, auditing and accounting, which BUSINESSEUROPE believes should be pursued on a case-by-case basis targeting revision of individual obsolete measures. Scrapping some or all of the directives could put at risk the achievements of the Internal Market.

BUSINESSEUROPE strongly supports the 25% target for reducing administrative burdens by 2012, but this target is too narrowly linked to information obligations and should be supplemented by reduction targets for the substantially higher compliance and enforcement costs, also at national level.

**Collective redress**

BUSINESSEUROPE strongly supports effective and easy access to justice for EU consumers, which is key to underpin European stakeholders' confidence in the Internal Market and to ensure fair competition. It is in the interest of companies, that adequate redress mechanisms exist and function well.

However, we have serious concerns about current discussions on greater court involvement in enforcement of consumer rights, including collective actions. This must be treated with extreme care and its impact thoroughly analysed. BUSINESSEUROPE believes that priority should be placed on improving and reinforcing non-judicial mechanisms complaint handling and information schemes.

However, we question the added value of EU action in this area. We believe that the alleged problems have not been clearly identified and substantiated. This is why it is crucial first to assess the current situation in member states thoroughly, and to clearly pinpoint any problems consumers face regarding enforcement of their rights in the Internal Market before any EU course of action is discussed.

**Patent jurisdiction**

BUSINESSEUROPE supports, in principle, the proposal to create a unified patent jurisdiction, which would have exclusive jurisdiction for disputes regarding infringement and validity of European patents and future Community patents. The Community Patent remains an important project that has to meet the needs of business in terms of quality, cost-effectiveness and legal certainty, and progress in that direction is needed.

It is an absolute precondition that the future patent jurisdictional system put in place improves significantly the situation compared with the current national divergent litigation systems. One of the key factors for its success will be the participation of judges with good legal and technical qualifications as well as wide experience in patent litigation, chosen on the basis of an appropriate selection and nomination mechanism, based exclusively on the qualification and experience of the candidates. Issues that need to be further discussed include the language arrangements in judicial proceedings and the split between infringement and invalidity cases at first instance.



### **III. Energy efficiency, climate change and Emission Trading Scheme**

The future scenarios for growth in energy demand and greenhouse gas emissions are dramatic, predicting an increase in global energy demand of more than 50% over the next 25 years. CO<sub>2</sub> emissions are projected to skyrocket, especially in China.

In the light of these developments, European companies are committed and are taking action to deliver their share in combating climate change. At the same time, it is vital for Europe to ensure security of energy supply at affordable prices.

#### **Strengthen the political commitment towards energy efficiency**

The political commitment to increase energy efficiency in the EU must be given the same weight in the definition of policy measures as the commitment to increase the share of renewable energy and to reduce greenhouse gases. Indeed, reaching the energy efficiency goal is a precondition for reaching the targets on greenhouse gas reduction and on increasing the share of renewable energy in a cost-effective way.

#### **Work on global agreement on climate protection**

The Slovene presidency must draw on the outcome of the UNFCCC conference in Bali in December 2007 and continue working on a roadmap towards a truly global agreement on climate protection. EU leadership in setting a price on carbon is important, but the EU needs to make sure that the other major emitters follow. Unilaterally placing unreasonable burdens on EU industry will encourage relocation and carbon leakage to the detriment of innovation, European growth and the global environment.

#### **Avoid excessive costs of the EU Emission Trading Scheme and renewables policies**

In the light of the Directive of the revision of the Emission Trading Scheme, BUSINESSEUROPE urges EU policy-makers to address the negative competitiveness consequences for large sections of European industry due to the absence of a coordinated international approach. These negative consequences add to other elements such as the sharp increase in the price of energy and raw materials. In particular, BUSINESSEUROPE is opposed to making auctioning the general allocation method in the Emission Trading Scheme after 2012, and encourages the European Commission to take up other approaches such as introducing technological benchmarking as a tool for free allocation in ETS.

BUSINESSEUROPE is also worried about the potential costs of increasing the share of renewables to 20% within the next 13 years. We therefore urge public authorities to take great care when designing incentives for renewables, adopting only those with high economic efficiency and allowing for utmost flexibility in reaching the targets. As priority measures, it is important gradually to harmonise support schemes for renewables across Europe and to facilitate trading between member states in electricity from renewable energy sources.

#### **Use all technology options for climate protection, including nuclear**

Finding the most efficient and effective solutions for reducing greenhouse gas emissions also means keeping all technology options open and using them. The time has come to give back to nuclear energy the attention it has not received for a long time in energy strategy discussions. Nuclear energy is an energy technology with zero CO<sub>2</sub> emissions. It represents 32% of electricity generated in the EU.



#### **IV. The EU's external dimension**

##### **WTO Doha Development Agenda negotiations**

An ambitious conclusion of the WTO Doha Development Agenda (DDA) negotiations will remain the main priority in the international field for BUSINESSEUROPE during the Slovenian Presidency. Business continues to urge the European Union and all WTO members to exert their utmost efforts to conclude ambitious negotiations in 2008. BUSINESSEUROPE is concerned by the level of ambition in the industrial goods negotiations and stresses the importance of removing tariff and non-tariff barriers in both industrialised and leading emerging countries. Substantive results must also be achieved guaranteeing vital new market access for services, a binding agreement on trade facilitation measures and greater clarity in rules for anti-dumping and anti-subsidy measures. .

##### **Bilateral trade and investment (FTA) negotiations**

Although an ambitious conclusion of the DDA remains the primary goal of European business in international trade policy, BUSINESSEUROPE supports the new EU negotiations of free-trade agreements (FTAs) with Korea, ASEAN members and India. The FTAs should cover all tariff lines and tackle non-tariff barriers. BUSINESSEUROPE supports a robust approach to negotiating broad new opening on services covering all modes of supply and meaningful progress on investment issues. Intellectual property elements are also crucial. Partners must as a minimum sign up to all major international conventions and agree to robust enforcement regimes. Provisions on competition policy, government procurement and trade facilitation should be included. Future agreements will only be valuable to European competitiveness if they include a binding and effective dispute settlement mechanism and a mediation mechanism to solve non-tariff barriers.

##### **Transatlantic Relations**

Europe's relations with the United States, its largest trade and investment partner, will be very much in the spotlight during the Slovenian Presidency, with both an EU-US summit and the second meeting of the Transatlantic Economic Council (TEC) during its tenure. BUSINESSEUROPE strongly supports the TECs goal of a single transatlantic market. To date the process has shown considerable promise to deliver on that objective and results, such as the progress towards accounting standards equivalence, have been delivered. By the second meeting BUSINESSEUROPE hopes that a further range of concrete results will be concluded.

##### **Enlargement**

On the path of the candidate countries - Croatia, the former Yugoslav Republic of Macedonia and Turkey – towards accession to the EU, BUSINESSEUROPE reiterates its position that the European Council should be left to decide whether the Copenhagen political criteria are fulfilled. If they are, BUSINESSEUROPE supports the accession negotiations with the candidate countries under the conditions and process recommended by the European Commission.

##### **European Neighbourhood Policy**

The European Neighbourhood Policy, which covers relations with the EU Eastern and South Mediterranean neighbours, should complement and reinforce existing policies such as the Euro-Mediterranean Partnership. The Action Plans contemplated for the new European neighbours are adequate instruments to effectively deliver the economic and growth potential of the countries concerned. BUSINESSEUROPE believes that these Action Plans must include the involvement of business. Furthermore,



BUSINESSEUROPE is confident that the European Neighbourhood Policy Instrument (ENPI) will provide the necessary financial assistance for the development and reinforcement of business organisations in these countries.

### **European social policy**

#### **Working Time and Temporary Agency Work**

Following the Portuguese Presidency's failed attempt to reach political agreement on the revision of the Working Time Directive and the draft Directive on Temporary Agency Work, it has been decided to postpone further discussions to 2008. BUSINESSEUROPE considers the Portuguese Presidency's text on working time a step forward and a good basis for discussion. The business community stresses that any final agreement must solve the problems created by European jurisprudence on on-call time, extend the reference period to 12 months as a general rule and retain the individual opt-out..

Temporary agency work is a critical component of flexible labour markets. It is therefore essential not to restrict the use or development of this important form of work. In this respect, any decision taken by the Council should at the very least contain a grace period lasting significantly longer than six weeks and leave the definition of "comparable worker" at the national level. Moreover, the possibility of concluding collective agreements in order to deviate from the principle of equal treatment must not be drafted in such a way that this regulation might constitute state interference in social partners' autonomy. In addition, the obligation on member states to discard restrictions on temporary work should be reinforced.

#### **Supplementary pension rights**

European business is deeply concerned that the draft Directive on supplementary pension rights fails to respect the principle of subsidiarity and would considerably increase the costs of operating supplementary pension schemes. BUSINESSEUROPE urges the Slovenian Presidency not to agree on a Directive which would unduly increase the cost of providing supplementary pensions and discourage employers from putting such schemes into place. Given the challenge of demographic ageing, this is something Europe cannot afford.

#### **European Works Council**

ETUC has been asking for the revision of the European Works Council directive for several years. The European Commission will probably launch a revised second-stage consultation of the European Social Partners on the revision of the European Works Council Directive at the end of 2007 or early in 2008. BUSINESSEUROPE is strongly opposed to such a revision as the current directive provides an appropriate level of flexibility, which is key for a successful operation of EWCs. European employers call on member states to take this into account in future Council discussions on this dossier.

#### **Sanctions against employers who employ illegally staying third-country nationals**

With respect to the Commission's proposal on sanctions against employers who employ illegally staying third-country nationals, BUSINESSEUROPE agrees on the need to fight illegal immigration. However, employers believe that the Commission proposal interferes with national labour and social law and fails to respect the principles of subsidiarity and proportionality. In addition, it would require companies to assume responsibilities of public authorities. Rather than prescribing sanctions at EU level, the priority should be to better enforce existing sanctions at national level. BUSINESSEUROPE therefore calls on the Slovenian Presidency to modify the Commission proposal substantially in order to address these shortcomings.