BUSINESSEUROPE
THE PRESIDENT

Mr Fredrik Reinfeldt
President of the European Council
Prime Minister of Sweden
Prime Minister's Office
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BUSINESSEUROPE's message to the European Council on 10 and 11 December 2009

Dear President,

1. Responses to the **economic and financial crisis** are starting to bear fruit. However, the recovery is fragile and Europe is lagging behind in the global upturn. Since April 2009, international trade volumes have picked up by 8.5% but EU exports have only increased by 2.5%. Industrial production in emerging Asia has increased by 7.5%. In Europe, it has only stabilised and is still down by more than 13% on a year earlier. Emerging markets will be able to stabilise public debt at around 40% of GDP from 2010 onwards. Europe will see it increasing to 80%, with limited prospects of stabilisation before 2015.

   In order to have a sustained recovery, it is of utmost importance to restore access to finance for companies, in particular for SMEs. The consolidation of banks' balance sheets must be pursued with urgency. It is also essential that new capital rules remain proportionate and that their impact on companies' access to finance is thoroughly assessed to avoid further credit constraints.

   Europe must avoid being caught in a policy dilemma. Stimulus policies are a key factor of the current economic rebound. However, growing fiscal imbalances will soon put upward pressure on long-term interest rates and crowd out private investment. The EU Council can break this vicious circle by:

   - defining an exit strategy from the unprecedented public intervention in the economy,
   - preparing its implementation in 2011 by speeding up structural reforms in 2010.

2. The European Council meeting on 10 and 11 December 2009 will take place in the midst of the UN negotiations on **climate change** in Copenhagen. For European companies, a global agreement on climate change will only be considered successful if it:

   - establishes a shared vision for long-term global action to combat climate change,
   - commits all developed countries to internationally legally binding and equally strong emission reduction targets,
   - creates a level playing field worldwide for internationally traded goods,
   - sets internationally binding emission targets or policies from developing countries by 2020,
   - institutes a strong and transparent universal regime for monitoring, reporting and verification,
   - protects intellectual property rights from compulsory licensing,
   - enables and supports the development of global sector approaches,
   - ensures equal recognition of adaptation and mitigation activities.

   In the absence of a global agreement incorporating the above commitments, the EU must not increase in any way its current unilateral 20% carbon reduction requirement and the 100% free allocation for sectors at risk of carbon leakage established in the context of the EU Emission Trading Scheme must remain in place.

   The US Congress proposal to reduce US emissions by 17% by 2020 compared to their 2005 levels only represents a 3% reduction from 1990 green gas emissions. Therefore, it cannot be considered an "equivalent" effort justifying an EU move to a 30% reduction.

   Too little thought has been given to measures that harness the strength of free trade and the market economy to boost technological cooperation to fight against climate change. International business cooperation on clean technology would be greatly enhanced, if world leaders:

   - establish a robust system of intellectual property and investment protection,
   - support information-sharing on readily available off-patent technologies,
   - make efficient use of technology transfer mechanisms like the Clean Development Mechanism (CDM).

   In Europe, too, the potential benefit of technology for combating emissions and improving energy efficiency is significantly under-utilised. Giving greater priority to research and development in the fields of energy and clean-technology in the new EU budget (financial perspective 2014-2020) is essential if we want to reconcile environmental protection and economic growth.

3. The European Council will discuss a package of proposals on **financial supervision**. BUSINESSEUROPE broadly endorses the Commission's draft legislations for a better coordinated financial supervision system in the European Union. It hopes to see swift progress towards their adoption under the co-decision procedure. However, effective cross-border supervision also requires further reflection on burden-sharing and bank resolution systems in the European and global context.

4. European Heads of State and Government will define orientations on the future of the **Lisbon Strategy for Jobs and Growth**. BUSINESSEUROPE recommends that this strategy focuses on five strategic objectives:

   - deepening economic integration and restoring financial stability,
   - enhancing innovation, entrepreneurship and skills,
   - putting modern employment and social policy in place,
   - integrating energy, environmental and competitiveness policies,
   - shaping globalisation and fighting protectionism.

I hope that you will take the concerns of the European business community into account in your discussions.

Yours sincerely,

(original signed by)
Jürgen R. Thumann