



**Mr Viktor Orban**  
Prime Minister  
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Hungary

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Dear Prime Minister,

Eager to contribute to a successful Hungarian presidency, BUSINESSEUROPE would be very grateful if we could meet you in order to discuss EU priorities.

The Hungarian Presidency has decided to focus its work on consolidation of the European economic recovery and has defined an ambitious work programme to ensure that the EU becomes a driving force for structural reforms, financial stability and increased competitiveness.

On behalf of the 40 member federations affiliated to BUSINESSEUROPE, which represent around 20 million small, medium-sized and large European companies, I would like to draw your attention to four specific areas for actions to be tackled in order to strengthen economic growth and job creation.

## **1. Economy, growth and jobs**

The overarching priority for the EU will be to sustain the recovery and restore confidence in the European economy. Progress in the implementation of growth-enhancing reforms, smart fiscal consolidation and financial market regulation as well as of crisis management decisions must be visible. Measures which seek to meet immediate challenges at the expense of long-term competitiveness must be avoided. A resolution mechanism allowing for a debt restructuring or orderly default must be an integral part of the establishment of a permanent European Stability Mechanism.

The European Semester at the start of 2011 provides the right framework to speed up national reforms. It should lead to clear commitments and concrete deliverables. For example, in order to place the Europe 2020 strategy at the service of job creation, structural reforms to improve labour market flexibility and increase the cost-effectiveness of activation policies must be put at the heart of the guidelines for Member States' employment policies to be adopted during the Hungarian Presidency.

Important legislative work to improve economic governance will also need to be carried out in the coming months to strengthen the Stability and Growth Pact rules, establish a robust system for surveillance of macroeconomic imbalances and carry out crucial financial market reforms. The transposition of the new capital rules and liquidity standards for banks agreed by the G20 in Seoul is particularly important. European companies rely heavily on bank lending channels for financing. They must not be penalised by excessive regulation or uneven international implementation of Basel III rules. The revision of the EU's Capital Requirement Directive must be preceded by a comprehensive impact assessment of the cumulative effect of financial market regulation measures. Negative net effects should be alleviated by foreseeing exemptions for contracts used to hedge commercial risk, as was done for derivative markets. BUSINESSEUROPE counts on the Hungarian presidency to uphold these exemptions in the final text.



## **2. Single Market, SMEs and innovation**

The Single Market is the cornerstone of European integration and a key driver for growth. The current economic situation makes it even more important to ensure strong political commitment from national governments to the implementation of the Single Market Act and the removal of remaining barriers to the free movement of people, goods, services and capital.

Supporting SMEs and innovation is essential to get a genuine revitalisation of the Single Market. BUSINESSEUROPE welcomes the revival of the discussions aimed at agreeing on a simple and flexible European Private Company Statute. We also expect the Hungarian Presidency to encourage the Commission to make ambitious proposals for a more dynamic implementation of the Small Business Act, in particular with regard to improving access to finance for SMEs. The Presidency should also ensure that representatives of the entire business community are closely involved in the follow-up to the Communication on the Innovation Union flagship initiative endorsed by the Competitiveness Council in October 2010.

## **3. Industry, energy and climate change**

In the context of the renewed attention given to industrial policy in Europe, the Competitiveness Council in November 2010 concluded that all policy proposals with a significant effect on industry should undergo a thorough analysis of their impacts on competitiveness. BUSINESSEUROPE counts on the Hungarian presidency to ensure that this competitiveness proofing becomes a reality, starting with climate and energy policy measures to be discussed in the coming months.

Industrial innovation is crucial to fight climate change as industry provides the products and technologies necessary to reduce greenhouse gas emissions. BUSINESSEUROPE agrees that Europe must transform its energy system and set investments on the right course in order to achieve a low-carbon, secure and competitive economy. This can be done without undermining the competitiveness of European industry if EU policies for climate, energy, industry and innovation are fully integrated. A smart EU energy efficiency action plan is one example where significant synergies can be achieved. BUSINESSEUROPE counts on the Hungarian Presidency to promote this integrated approach in Council discussions on the EU's energy policy.

## **4. International relations and economic diplomacy**

Trade is an essential growth driver for the EU. The Hungarian presidency should seek to improve market access for European companies through concluding the WTO Doha Round, developing strategic relations with the United States, China and Russia and completing ongoing bilateral trade negotiations, such as those with India, Mercosur and Canada.

When engaging in international economic relations through the new European External Action Service the EU should make sure business views are taken into account. Finally, BUSINESSEUROPE counts on the Hungarian Presidency to ensure that the debate on Europe's international investment policy in the Council and the European Parliament ensures legal certainty for European investors and enables the EU to put in place an ambitious policy.

Yours sincerely,

Jürgen Thumann