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BARROSO SPEECH SENDS MIXED SIGNAL ON GROWTH

BUSINESSEUROPE welcomes many of the growth-enhancing proposals set out in President Barroso's speech on the State of the Union to the European Parliament today. But the proposal for a Financial Transactions Tax, should not be taken forward in light of evidence showing the risk it presents to EU growth.

Despite continuing financial and political uncertainty, many European companies continue to look to expand into new markets and create jobs. But they expect to see both coordinated efforts at EU level to bring a lasting solution to the present crisis and a long-term EU growth strategy for the real economy. Alongside the positive step taken by the Parliament in adopting the 'six legislative proposals' of reform on economic governance, BUSINESSEUROPE supports Commission plans to take forward growth-enhancing measures in areas such as e-commerce, competitiveness checks for new regulation, free-trade agreements and labour market reform.

But the business community is disappointed that the Commission has taken forward a proposal for a tax on financial transactions. The financial crisis has rightly led to a reassessment of the relationship between financial institutions and public authorities. Banks are already responding to more stringent supervision and prudential regulation. BUSINESSEUROPE will examine the proposal in more detail, but evidence from the IMF suggests that such a proposal will ultimately lead to an increase in the cost of capital for potential investors in the EU economy.

BUSINESSEUROPE President Jürgen R. Thumann said: *"President Barroso's speech to the European Parliament today sets out a number of measures which if implemented, in a manner consistent with the economic governance reforms agreed by Parliament, can help EU growth and job creation. But, the Commission has blurred its message by presenting a Financial Transactions Tax. Any such a proposal clearly needs to be agreed at G20 level to maintain a level playing field for European businesses and ensure financial services activity remains in Europe under our regulatory supervision."*

NOTE TO THE EDITOR

BUSINESSEUROPE represents small, medium and large companies. Active in European affairs since 1958, BUSINESSEUROPE's members are 41 leading industrial and employers' federations from 35 European countries, working together to achieve growth and competitiveness in Europe. For the full list of our members, please visit our website.

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