



**Mr Demetris Christofias**  
President of Cyprus  
Presidential Palace  
Presidential Palace Street  
CY - 1400 Nicosia  
CYPRUS

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Dear President,

Through its 41 member federations, BUSINESSEUROPE represents more than 20 million small, medium-sized and large European companies employing over 120 million people in Europe. Companies are the engine of growth and prosperity. Supporting their competitiveness must be at the centre of the Cyprus Presidency's work towards a "better Europe".

Like the Cyprus Presidency, BUSINESSEUROPE is convinced that the central priority in the second half of 2012 is to ensure that the European Union emerges stronger from the current economic crisis and with confidence about its place in the global economy.

Europe has been growing significantly below other G8 economies. BUSINESSEUROPE has recently proposed a 5-step action plan entitled *"Growing out of the Crisis: 5 steps to restore confidence"*. If EU leaders safeguard the Euro, improve public finances and structural reforms, promote private investment, unleash the Single Market and expand EU external trade, the EU should be able to double its growth rate, from the current 1.25% to 2.5%. This would mean the creation of 1.4 million new jobs every year and full employment by 2020.

## 1. Safeguard the Euro

No plan for growth will have real force until the present uncertainties around the Euro are resolved. We count on the Cyprus Presidency to contribute to swift implementation of the decisions taken by the European Council in June 2012.

In particular, in order to improve confidence and stability in financial markets, the Euro Area must quickly establish the single supervisory mechanism for Euro Area banks that was foreseen by the Eurogroup as a prerequisite for the European Stability Mechanism having the responsibility to recapitalise banks directly.

In addition, during the coming months, European leaders must make progress on developing and agreeing a strong and credible roadmap for the achievement of genuine monetary union, building on the paper presented by President Van Rompuy in June.

## **2. Improve public finances and structural reforms**

Fiscal consolidation is not the alternative to but the foundation for long-term growth and employment. We welcome the importance that the Cyprus Presidency gives to monitoring implementation of the Europe 2020 strategy. Implementing the adopted country-specific recommendations will require

- coherent and credible fiscal consolidation plans;
- rapidly implementing labour market reforms to reduce employers' social security contributions and the tax burden on labour, reform employment protection legislation to encourage hiring, and ensure that wages are in line with productivity;
- addressing youth unemployment by putting labour market needs at the centre of education, increasing the number of students choosing science, technology, engineering and mathematics and improving apprenticeship;
- product market reforms to make it easier for firms and workers to enter markets, driving up competition, productivity and growth.

## **3. Promote private investment**

To support the development of small, medium and large companies, public expenditure at Member-State and at EU level must focus on supporting investment in growth enhancing areas such as skills, technology and infrastructure. A greater share of the EU budget for 2014-2020 must be geared towards competitiveness, growth, infrastructure development and job creation support. BUSINESSEUROPE counts on the Cyprus Presidency to ensure that

- the allocation of EU funds is results-oriented, better leveraged and really focused on initiatives with EU added value;
- the EU Council decision on EU project bonds is swiftly implemented;
- the proposed increase to € 80 billion for Horizon 2020 is secured and business participation facilitated through a radical simplification of administration when bringing together the different EU support programmes (Research and Innovation Framework Programme, Competitiveness and Innovation framework programme, etc.);
- the budget foreseen for the financial instruments in the COSME programme supporting the competitiveness of enterprises and SMEs (€ 1.4 billion) is significantly increased;
- the connecting Europe facility is spent in a way that provides the necessary boost to encourage private investment, with simple and fast processing procedures;
- a share of the European Social Fund and of the Erasmus for All programme for 2014-2020 provides seed funding for Member States wishing to establish or reform their dual-learning systems.

## **4. Unleash the Single Market**

BUSINESSEUROPE supports the Cyprus Presidency's focus on a real deepening of the Single Market. Further integrating the single market and improving its functioning does not always require new legislation. Proper application of existing rules is often the best answer.

We can add an estimated €800 billion to EU GDP if we

- fully implement the Services Directive and remove remaining barriers for service providers in the single market;
- create a true digital single market by supporting investment in digital technology, and the development of e-commerce;
- simplify the way in which public procurement is carried out and support the development of e-procurement;
- remove obstacles to labour mobility; and,
- create an energy single market backed by comprehensive, predictable and affordable EU climate and energy policies post2020. This framework needs to be developed with relevant stakeholders and must not be pre-empted by short-term measures such as the proposed “back-loading” for the Emission Trading Scheme.

BUSINESSEUROPE supports Single Market initiatives aimed at ensuring financial market stability. But reforms must strike the right balance and be mindful of their effects on access to finance for companies. BUSINESSEUROPE counts on the Cyprus Presidency to ensure that

- the Commission proposal on venture capital is adopted;
- the proposed rules for bank capital requirements are amended to correct the excessive risk weights attributed to SME loans.

## **5. Expand EU external trade**

Almost 30 million EU jobs are dependent upon export markets outside Europe. Europe needs to build a strong presence in expanding global markets and ensure that companies have access to trade finance by

- engaging in closer bilateral relations with key trade partners and launch comprehensive negotiations with the US covering trade in goods and services, investment, procurement, intellectual property protection, and other regulatory issues;
- rapidly concluding ambitious trade agreements with Canada and Singapore;
- generating new business opportunities in Japan through the removal of non-tariff barriers and other restrictions to market access;
- adjusting Capital Requirements Directive IV rules to take account of the low risk weight of trade finance and allow export credit agencies to provide short-term export credits;
- adopting the EU regulation to grandfather Member States' bilateral investment treaties and ensuring the implementation of the Modernised Customs Code priority measures to facilitate trade.

We look forward to working with the Cyprus Presidency with a view to restoring the trust and confidence of investors and consumers and unleashing the energy and innovation potential of companies which are the engine of economic success and citizens' prosperity.

Yours sincerely

  
Jürgen R. Thumann