



**Mrs Dalia Grybauskaitė**  
President of the Republic of Lithuania  
Presidential Palace  
S.Daukanto a. 3  
LT - 01122 Vilnius  
LITHUANIA

17 July 2013

Dear President,

## **BUSINESSEUROPE's priorities for the Lithuanian Presidency**

The recent downward revisions to the IMF growth forecasts for the EU and the Euro area remind us that, despite some improvements in financial market stability and business confidence in the last 6 months, a continent-wide return to growth is not yet in place. Business-as-usual in EU policy making is therefore simply not an option. Political determination and leadership is needed to mobilise investment, restore companies access to credit and focus all European policies on supporting competitiveness

The European Union and its Member States must urgently remove all bottlenecks to growth and employment. Building on the conclusions of the June European Council meeting, we urge the Lithuanian Presidency to demonstrate that there is real change in European policy by fostering agreement on concrete growth enhancing measures.

Through its 41 member federations, BUSINESSSEUROPE speaks on behalf of more than 20 million small, medium-sized and large European companies employing over 120 million people in Europe.

Those companies are the main drivers of growth and employment creation. To invest more and create more jobs in Europe, they must feel in every decision taken that growth and competitiveness have truly become the focus of European policy-makers. As each job in the industrial sector is linked with at least two high quality jobs in the service sector, special attention must be paid to our industrial competitiveness.

The European Union must move away from growth and job damaging measures such as the financial transaction tax, joint and several liabilities rules among sub-contractors for posted workers, revised EU legislation on environmental impact assessment or new non-financial reporting rules.



BUSINESSEUROPE supports the three inter-related objectives of the Lithuanian Presidency: a credible, open and growing Europe. To meet these objectives, the Presidency must in priority:

1. As part of a broader effort to improve access to finance, particularly for SMEs, ensure swift agreement and implementation of the Banking Union and mobilise all institutions concerned to define concrete measures to be implemented in the short term. The June EU Council underlined that a fully effective Single Supervisory Mechanism (SSM) requires a Single Resolution Mechanism for banks covered by the SSM. A strengthened bank resolution framework is essential to increase confidence in our banking system, and the sustainability of public finances.
2. maintain the momentum for ambitious growth oriented structural reforms and fiscal consolidation, which focuses on public expenditure reductions that preserves investment and avoids tax increases,
3. pave the way to the adoption of an industrial compact with concrete measures to reach the objective of increasing the share of manufacturing industry to 20% of our GDP by 2020 during the special European Council meeting on industrial policy in February 2014,
4. rebalance EU climate and energy policy by adding cost competitiveness and security of supply targets alongside a single 2030 emissions reduction target to incentivise investment in low-carbon and energy efficient technologies, taking into account the outcome of 2015 international negotiations when deciding on the most appropriate level of ambition,
5. further develop the Single Market, in particular by defining a coherent approach to lower compliance costs in product safety and market surveillance and by addressing obstacles to the development of the digital economy,
6. strengthen Europe's position on global markets by, on the one hand, enhancing market opportunities for European companies, in particular via the negotiations of the transatlantic trade and investment partnership, and on the other hand, by modernising the EU's trade defence system,
7. pave the way to an effective use of the up to € 8 billion of the Youth Employment Initiative, in conjunction with structural measures to remove obstacles facing new entrants on the labour market and to modernise education and training,
8. ensure adoption of the Multiannual Financial Framework for 2014-2020 by the end of this year so that it can enter into force by January 2014 and optimize the support given to growth-oriented and competitiveness-enhancing actions when implementing the compromise on the EU budget 2014-2020 such as investment in research and innovation or in infrastructure and support to SMEs.

With regard to the Eastern Partnership, we support the efforts of the Lithuanian presidency to develop this initiative. BUSINESSEUROPE looks forward to the Summit in Vilnius on 29 November 2013 and very much hopes that the EU-Ukraine Association agreement can be signed on that occasion, providing the framework for mutually beneficial business relations.



More details on BUSINESSEUROPE's priorities for the Lithuanian Presidency are given in the enclosed note.

We count on you to reach concrete results on all these points and look forward to working with the Lithuanian Presidency.

Yours sincerely,



Emma Marcegaglia



## **Annex to the letter setting out BUSINESSEUROPE's priorities for the Lithuanian Presidency**

### **Improving access to finance**

Interest rates charged for bank loans to corporations continue to diverge, and despite ECB action, remain higher in those Euro area countries with higher sovereign borrowing costs. At the same time, the willingness of banks to provide loans to SMEs has continued to deteriorate over the last 18 months.

The June EU Council underlined that a fully effective Single Supervisory Mechanism (SSM) requires a Single Resolution Mechanism for banks covered by the SSM. The Banking Union must be rapidly agreed and implemented, to reduce the fragmentation in Euro area financial markets. Alongside implementation of the Single Supervisory Mechanism, agreement and implementation of a strengthened bank resolution framework, including a single resolution mechanism, should be the key focus of your presidency.

All institutions concerned at the European level should be mobilised in order to improve access to finance for companies. On 27-28 June 2013, the European Council agreed that the European Investment Bank support lending to the economy should be stepped up. BUSINESSEUROPE fully supports this and asks to ensure that the new EU SME-gearred financial instruments blend the EU budget resources and the EISF (European Investment and Structural Funds) resources with the lending capacity of the EIB.

In order to allow business to make the investments required to drive the recovery, new regulation of financial services must strike the right balance between increasing financial stability and the need to ensure that companies are able to access finance on reasonable terms. This will be particularly important in the case of Solvency II rules for insurers and liquidity requirements for banks.

Alternative financing routes to bank lending such as equity, corporate bonds or venture capital also need to be facilitated. The Financial Transactions Tax should be withdrawn to avoid adverse effect on companies' access to finance and investment.

In addition to strengthening the banking sector and developing diverse financing routes, timely payment by public authorities and full implementation of the Late Payment Directive by all Member States is also part of the answer.

### **Delivering structural reforms and fiscal consolidation**

Structural reforms and sound public finances are essential to restore growth. Significant progresses have been made during the last months, but the process is far from complete. The room for manoeuvre in the EU fiscal framework regarding the speed of consolidation must be used to support growth oriented structural reforms, whilst ensuring that the overall trajectory of public finance consolidation is maintained.



To pave the way for sustainable growth, fiscal consolidation should focus on public expenditure reductions rather than tax increases, while preserving investment. In turn, structural reform must continue in priority areas such as increasing labour market flexibility, enhancing product market competition, and reducing the regulatory burden on business.

BUSINESSEUROPE also supports the introduction of Convergence and Competitiveness Instruments, provided the proposals strike the right balance between solidarity and responsibility by increasing incentives for structural reforms, and do not lead to an increase in the overall tax burden in the EU or the Euro Area.

BUSINESSEUROPE welcomes the focus of the Lithuanian Presidency on the fight against tax fraud and tax evasion. Clear and transparent tax systems are essential. However, any policy response in this field must avoid creating further complexity, administrative burdens and uncertainty for businesses.

### **Fighting unemployment, especially youth unemployment**

Fighting unemployment is a key priority both for social cohesion and growth reasons.

BUSINESSEUROPE supports the Youth Employment initiative and the European Council decision to frontload up to €8 billion and target EU funding on regions mostly in need.

Together with the other European social partners, we have agreed on a framework of actions on youth employment which highlights four key priorities: improving learning, facilitating transitions, promoting employment and developing entrepreneurship.

An apprenticeship is crucial to facilitate the transitions between school and work. BUSINESSEUROPE has therefore also signed the tripartite declaration to launch the EU alliance for apprenticeships in Leipzig on 2 July 2013.

But at the end of the day, success will be judged on the capacity of young people to find real jobs.

Youth unemployment must also be tackled through structural reforms, which remove obstacles to hiring new workers, modernise education and training to better answer labour market skills needs, improve access to finance for companies and encourage entrepreneurship.

### **Paving the way to an industrial compact**

Industry has to compete more effectively within the Single Market and global context to create jobs and generate sustainable growth over the short and long term. This requires a realignment of EU policies in support of industrial competitiveness.



Five points are of crucial importance to support industrial competitiveness:

- Europe's energy policy, which must be cost-competitive if we want to achieve our 20% industrial GDP target by 2020,
- Europe's external trade agenda, which must be geared towards opening foreign markets in current and emerging trading partners,
- European financial market reforms, which must safeguarding financial stability without undue negative impact on lending to companies,
- Security of supply in raw materials at competitive prices, which must not be undermined by foreign export restrictions, or European environmental and other domestic legislation,
- The availability of a skilled workforce, in particular people with science, technology, engineering and mathematics skills.

BUSINESSEUROPE counts on the Lithuanian Presidency to pave the way to the adoption of an industrial compact at the Special European Council meeting in February 2014.

### **Rebalancing EU energy and climate policies**

We support the Lithuanian Presidency ambitions concerning the completion of the Internal Energy Market by 2014 and believe that full implementation of the third energy package and the development of energy infrastructure as well as cross-border electricity and gas interconnection must be a priority. But the development of the energy Single market and elimination of existing energy islands alone is not enough.

BUSINESSEUROPE calls for a post-2020 cost-competitive and coordinated energy and climate policy articulated around 7 policy recommendations:

- establish cost competitiveness and security of supply targets,
- set a single 2030 emission reduction target to incentivize investment in low-carbon and energy efficient technologies and take into account the outcome of the international climate negotiations in 2015 when deciding on the most appropriate level of ambition,
- maintain the Emissions Trading Scheme as the cornerstone of EU climate and energy policy, address the loss of competitiveness of energy-intensive industry by strengthening measures for carbon leakage and achieve further improvement in no-ETS sectors such as energy efficiency in buildings,
- progressively phase out the support for market deployment of energy produced from renewable sources,
- upgrade the research and innovation frameworks to provide stronger support to early stages of technology development,
- strengthen energy policy coordination among Member States through the establishment of a mandatory process of consultation before national decisions with potential negative consequences for neighbouring markets are taken,





- diversify the EU's energy supply sources, including sustainable exploration and exploitation of unconventional energy sources such as shale gas.

We count on the Lithuanian Presidency to work towards balanced EU energy and climate policies for the period 2020-2030 along these 7 concrete policy recommendations.

### **Completing the Single Market**

The Single Market adds € 600 billion a year to our economy and has helped to create almost 3 million new jobs in Europe since 1992, but is still incomplete. Its development is a key element in any EU pro-competitiveness strategy. In particular, in the area of services, there is much work to be done. Despite the progress made by the 2006 Services Directive, companies still face many regulatory and administrative barriers when offering their services across borders. This hampers growth and free movement.

First of all, Member States need to fully implement the Services Directive and remove the unnecessary and costly national requirements that have remained in place. Achieving high quality implementation of the Directive in all Member States alone can bring additional gains of about 1.8% of EU GDP (about € 330 billion) by 2020. We can simply not afford to miss this potential for growth.

Moreover, the Points of Single Contact need to better respond to business needs and obstacles beyond the remit of the Directive need to be addressed, for example relating to conflicting national standards, a lack of recognition of professional qualifications, heavily regulated professions and company mobility.

The four drivers for growth which are at the core of the Single Market Act 2 (SMA 2) and the inter-institutional partnership to fast-track the key legislative actions provide the right basis to further improve the functioning of the single market. However, its impact will strongly depend on the details of the different measures proposed.

The Presidency should ensure that the measures announced in the SMA 2 are finalised quickly. In particular, we expect a lot from the proposals on transport and digital economy. Furthermore, it is key for the functioning of the Single Market to ensure proper application and strong enforcement of existing rules as well as of the mutual recognition principle.

BUSINESSEUROPE welcomes the Presidency intention to focus on the product safety and market surveillance package. To achieve real free movement of goods and lower compliance costs for economic operators, a coherent approach to product safety and market surveillance must be ensured. Under no circumstances should burdensome amendments be introduced. For example, we oppose mandatory third-party certification and the replacement of current CE marking. This would not improve product safety and would weaken rather than support the competitiveness of European business and industry.



### **Ensuring significant progress on the Digital Single Market**

The development of the digital economy can deliver annual economic benefit of € 330 billion to the EU economy by 2020. The October European Council meeting must take a broad approach and discuss the opportunities as well as the challenges for all sectors of activity, including for the re-industrialisation of Europe, to pave the way to the full development of the Digital Single Market.

The European framework for data protection and cyber-security must avoid creating excessive administrative burdens for companies. It is fundamental to adopt a risk-based approach, for instance on the notification requirements in the draft cyber-security directive. In addition, with regards to the data protection regulation, the context and purpose of personal data processing must be taken into account, as well as the level of risk arising for data subjects.

Better use of ICT and digital tools is also important to deliver better public services and drive their costs down. BUSINESSEUROPE therefore welcomes the focus of the Lithuanian Presidency on the modernisation of public administration. In the area of e-procurement, we support its wider use. However, we have doubts about making e-procurement mandatory within a restricted timeframe, since the operational challenges linked to e-procurement, namely interoperability and security of sensitive data, have not yet been sufficiently addressed.

### **Deliver the better regulation agenda to support entrepreneurship**

Delivering the better regulation agenda is fundamental to foster entrepreneurship, business development and ensure the good functioning of the Single Market. SMEs created 85% of new jobs in Europe over the period 2002-2010. And they could do much better if they were not impeded by the creation of red tape or green tape at EU level as well as gold plating of European law at the national level.

Lithuania will preside over the start of the debate of the Commission action plan to remove the most burdensome European rules hampering the development of SMEs.

BUSINESSEUROPE counts on you to ensure that this action plan foresees concrete steps to:

- streamline VAT legislation and improve the Community customs code,
- amend REACH candidate list organisations to better accommodate business needs and avoid overlaps or inconsistencies between REACH and other EU chemicals legislation,
- ensure more uniform implementation of the waste shipment regulation focussed on hazardous waste as opposed to unproblematic waste, revise the 2011 directive on hazardous substances in electrical and electronic equipment and the waste directive applying to this equipment,
- bring temporary employment agencies within the scope of the Service Directive,
- have more flexible rules for the assessment of the risks to safety and health at work,





- eliminate disproportionate EU legislation dealing with safety of construction products manufactured in non-series process,
- eliminate burdens in the collection of statistics relating to the trading of goods between Member States.

### **Pursuing trade agreements with our partners**

30 million EU jobs (more than 10% of the EU workforce) depend on export markets outside the EU. While enhancing market opportunities for European companies on global markets is an effective means to promote growth and jobs, the EU needs on the other hand to improve the effectiveness of its trade defence system in cases of unfair market distortions.

BUSINESSEUROPE counts on the Lithuanian Presidency to support the work of European negotiators towards swift conclusion of the EU-US Transatlantic Trade and Investment Partnership. An ambitious agreement could add more than € 86 billion to the EU's annual economic output, increase EU exports by 28% and create thousands of jobs. We need tariffs to be reduced to zero as well as elimination of non-tariff barriers. We need regulatory cooperation on the basis of mutual recognition, which means that both sides accept in their market goods and services approved for sale in the other market. For investment, we need equal treatment between local and foreign investors.

BUSINESSEUROPE welcomes EU's efforts to modernise its trade defence instruments, to strengthen their effectiveness and to streamline procedures to the benefit of the EU economy. For example, the revised trade defence instruments must allow to address structural distortions in raw material prices and must lead to shorter investigations (9 to 6 months). And the Commission must postpone the publication of establishing guidelines until the legislative proposal enters into force. We want steady progress in the discussions with Council and European Parliament on this issue and adoption of a balanced package in the next 6 months.

With regard to the Eastern Partnership, we support the efforts of the Lithuanian presidency to develop this initiative. BUSINESSEUROPE looks forward to the Summit in Vilnius on 29 November 2013 and very much hopes that the EU-Ukraine association agreement can be signed on that occasion, providing the framework for mutually beneficial business relations.

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