



Mr Donald Tusk
President of the European Council
European Council
175 rue de la Loi
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BELGIUM

15 March 2016

Dear President,

**Message to the European Council meeting on 17-18 March 2016
Only with a strong economy can Europe face its many challenges**

The European Council should ensure that all the necessary actions are taken to tackle the refugee crisis and safeguard Schengen. Only with strong foundations and a resilient economy will the Europe Union and its member states be in a position to provide the appropriate answers to these challenges. It is more important than ever to ensure that the Spring European Council meeting does what it was designed for: moving forward the structural reform agenda to pave the way to higher growth and more employment in Europe.

We therefore call on Heads of State and Government to make real progress on the implementation of structural reforms by Member States, and in delivering the competitiveness agenda at the European level too, through concrete actions to develop the Single Market, digitalise our economy and further improve economic governance of the Economic and Monetary Union.

STRUCTURAL REFORMS

We expect the EU's economic recovery to continue in 2016 at roughly the same pace as in 2015. However, the slowdown in emerging markets, the bleaker outlook for global growth and continuing volatility on financial markets are clear downside risks. We are also concerned that "reform fatigue" may be setting in and that political instability could further impact on the pace of reform in some countries during 2016. We must not waste the window of opportunity of supporting factors such as quantitative easing by the ECB, falling oil prices and a favourable Euro exchange rate by trying to turn the clock back or delaying necessary reforms.

BUSINESSEUROPE's reform barometer 2016 shows that the rhythm of structural reforms in Europe is not increasing, on the contrary. With only 20% of the country specific recommendation satisfactorily implemented according to our members, we are taking much longer than other advanced economies to regain the ground lost since 2008. Positive examples from countries such as Ireland, Italy, Latvia and Spain, demonstrate how quickly reform benefits can feed into the economy. However, implementation is uneven at country level and the reform momentum is in real danger of slowing down in some member states. It is the interest of both individual Member States and of the EU as a whole that measures to facilitate investment and enhance growth as well as job creation continue at a good pace.

Our 2016 reform barometer reveals that tax reforms and actions to open up market opportunities for European goods and services deserve particular attention. It also shows that demographic ageing will be a more dramatic phenomenon in the EU than in other advanced economies. Measures to address labour market mismatches, improve mobility, and improve the sustainability of public finances are therefore absolutely essential.



SINGLE MARKET

The single market is underperforming as divergent national rules and fragmented application of EU legislation continues to frustrate the free movement of goods and services. The Commission's Single Market Strategy should be delivered rapidly in order to upgrade the single market for its future purpose. This includes better application of mutual recognition in goods, enabling reduction of administrative barriers through the services passport and streamlining the effectiveness of existing single market tools through creation of the single digital gateway.

Rapid adoption of the proposals announced in the Commission's Digital Single Market Strategy will also enable businesses to regain their competitiveness if the proposals are balanced. Specifically, Member States should support actions that enable the digitalisation of industry, supporting an innovation friendly approach to data protection, relevant adaptation of workforce skills and encouragement of digital ecosystems. The achievement of a final and satisfactory solution on the EU-US Privacy Shield for international data transfers will be crucial.

When new EU rules are necessary, legislators should ensure that they are fit for purpose and support growth, jobs and competitiveness. However, addressing remaining obstacles will not always require new EU legislation but better Member State application of existing rules to guarantee a genuine single market for business and consumers. We believe that addressing abuse regarding posting of workers requires better enforcement of existing EU rules. BUSINESSEUROPE remains strongly opposed to a new revision of this directive which is unnecessary and will open another divisive debate among Member States.

Involving a Single Market pillar in the European Semester could be a useful mechanism to support its development. For example, the Single Market integration report must be much more specific on remaining obstacles to be addressed in specific member states, in particular for cross-border provision of services.

SAFEGUARDING SCHENGEN

The European Council should also ensure that all the necessary actions are urgently taken to tackle the refugee crisis and safeguard Schengen, which is a cornerstone of European integration and of the smooth functioning of our economy. As clearly stated in the conclusion of the European Council meeting on 18-19 February 2016, "the objective must be to rapidly stem the flows, protect our external borders, reduce illegal migration and safeguard the integrity of the Schengen area."

We trust that the European Council will find a constructive solution including an agreement with Turkey to deal with the refugee crisis and safeguard the external borders of Schengen.

Massive inflows of refugees and migrants and their concentration in a few EU member states are overwhelming for the countries concerned. This challenge can only be mastered through common EU-wide solutions, including a common list of "safe countries", adequate support to EU countries which are the first entry point and allocating the necessary means to Frontex.

Once people have obtained the legal right to stay in Europe, integrating them in training, employment and society in general is crucial. Business organisations and companies are taking a large number of initiatives to contribute to this.



The European business community strongly supports the Schengen system of open internal borders. BUSINESSEUROPE supports the EU's strategy to strengthen Europe's external borders, including both immediate contingency actions and measures requiring more time to be fully implemented. We are fully aware that securing our external borders in a smart way is a large-scale project which necessitates adequate public investment. In this specific case, we support increased EU means to better protect our external borders. We believe that this can also be a win-win for all sides, triggering investments into relevant technologies.

IMPACT OF COP21 ON THE 2030 CLIMATE AND ENERGY POLICIES

The Paris agreement is a major step forward in global efforts to reduce greenhouse gas emissions and a great achievement. It is an essential first priority that the agreement is ratified and a second priority that all countries fully deliver on their pledges. The legally-binding provisions must be used at their full potential for other major economies to catch up, as quickly as possible, with the EU's high level of ambition.

However, the COP 21 agreement does not solve the issue of competitiveness for our industries operating on highly competitive global markets. While other major economies have indicated their intention to accelerate efforts to reduce emissions, the EU is by far the most ambitious even among the developed countries. And it remains to be seen whether and how our major competitors will impose carbon costs and emissions reductions on their industries which are exposed to international competition.

Therefore, the priority for the EU must be to adopt, as quickly as possible, a legislative framework for post-2020, in line with the October 2014 European Council conclusions, i.e. 40% reduction of greenhouse gas emissions as a binding target and 27% share of renewable energy and 27% improvement of energy efficiency as indicative targets. The EU must refrain from re-opening the political debate on those targets, which represent the most ambitious climate action efforts across the planet. This is crucial to avoid undermining long-term investment security for European industries.

We urge the European Union and member states to firmly continue on the path of structural reforms and fiscal consolidation and, at the same time, make concrete steps to develop our Single Market, digitalise our economy and simplify legislation at all levels in order to improve the overall business environment and facilitate investment. Only with a strong economy can Europe live up to the many challenges facing it.

Yours sincerely,

Emma Marcegaglia