



Mr Xavier Bettel

Prime Minister
Grand Duché de Luxembourg
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LUXEMBOURG

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Dear Prime Minister,

BUSINESSEUROPE's priorities for the Luxembourg Presidency

The Luxembourg Presidency's first priority is fostering growth and creating jobs in Europe, and rightly so. Europe must focus on the key issues: becoming more competitive, more conducive to business, more proactive, more open to the world and outward looking.

We have seen improvements in the European economy over the last 6 months. BUSINESSEUROPE expects 1.9% growth for the EU in 2015 and 2.1% in 2016. However, the European Union is still faced with important challenges. We need to pursue efforts to go back on a sustained path to growth and job creation.

Within the European Union, we count on the Luxembourg Presidency to:

- encourage all parties to adhere to the compromise found on Greece, paying particular attention to improve the business environment and attractiveness of Greece as an investment location;
- ensure that the ECOFIN Council plays its role in the debate on how to further improve EU economic governance based on the five Presidents report;
- mobilise the Competitiveness Council and reinforce the High Level Group for Competitiveness to strengthen industrial competitiveness;
- foster implementation of the better regulation package, particularly through concluding a new inter-institutional agreement for better regulation and impact assessments;
- speed up the digitalisation of Europe and ensure that data protection rules do not hinder the digital transformation of companies;
- further improve the single market for goods and services too;
- make progress towards the Energy Union and a balanced reform of the European Emissions Trading System;
- encourage labour market reforms and facilitate mobility, focussing on implementing the enforcement directive on posting of workers to prevent abuse;
- promote a balanced approach on taxation to support European companies competitiveness in the global context.

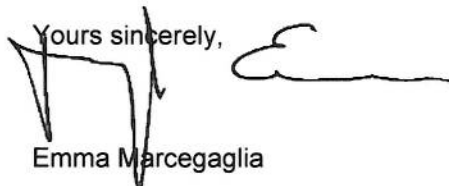
Internationally, we urge you to contribute to:

- making progress in the ongoing transatlantic trade and investment negotiations, addressing both tariff and non-tariff barriers to trade, enhancing regulatory cooperation and investment protection;
- engage in climate diplomacy to contribute to the conclusion of a global level playing field in climate policy at the Paris conference in December 2015.

Further details on what European companies expect from the Luxembourg Presidency are set out at annex.

We look forward to working constructively with you and the different members of your government during the next six months.

Yours sincerely,



Emma Marcegaglia

BUSINESSEUROPE's priorities for the Luxembourg Presidency

Encourage all parties to adhere to the compromise on Greece

The European Business community stands united in welcoming the compromise found unanimously to solve the situation in Greece. The need to bring Europe back to a path of sustainable, investment-led growth is now more urgent than ever. Europe, and Greece in particular, need further measures to enhance the business environment and improve our attractiveness as an investment location.

The agreement that has been found is a strong signal that the Euro area is committed to staying together. BUSINESSEUROPE expresses its full confidence and trust in the solidity and strength of the Euro area. Measures to address the difficult situation of the Greek people and business community will have to be developed rapidly in order to retain social cohesion and stability, in particular to support the functionality of the Greek banking system. The final success will depend on timely and good faith implementation based on solidarity and responsibility by all sides.

We count on the Luxembourg Presidency to fully play its role in supporting the EU in its efforts to ensure that the necessary instruments are put in place swiftly to overcome the current crisis.

Further improve EU economic governance

Sound public finances and real implementation of necessary structural reforms across Europe are essential if we want more job creating investment. The June EU Council has endorsed new country specific recommendations. Success will depend on real implementation of these recommendations in each Member State. Unfortunately, BUSINESSEUROPE's Reform Barometer 2015 shows that only 22% of last year's recommendations have been followed by satisfactory implementation. This has to be significantly improved.

The European Council has now requested that the Council examine the five Presidents' report on EMU presented in June.

For BUSINESSEUROPE, further improving economic governance will require in particular making the country-specific recommendations more enforceable, as well as greater coordination of major economic policies, with the report making a number of potentially helpful suggestions in order to improve the European Semester process. Fostering the involvement of social partners in this process can also be valuable in terms of social acceptance of reforms.

It is important that proper attention is given to other immediate steps proposed in the report, including the development of a system of Competitiveness Authorities as well as the further steps set out to complete the capital markets union.

In the longer run, the development of a limited Euro area fiscal capacity, or as set out in the new report, a 'macroeconomic stabilisation function', can be a means of strengthening the EU's role in encouraging growth enhancing reforms and fiscal consolidation, provided that access to funds is conditional upon Member States completing structural reforms, and the initiative does not lead to an increase of the overall tax burden in the Euro area.

We count on the Luxemburg Presidency to ensure that the ECOFIN Council fully plays its role in leading the preparation of EU Council debates based on the five Presidents report.

Deliver on better regulation

BUSINESSEUROPE supports the European investment plan. Now that an agreement has been found on the EFSI, the fund should start operating swiftly and decide on the projects to receive a guarantee on sound economic grounds. It is also fundamental to ensure that these projects provide a real added value to the EU.

The Luxembourg Presidency, for its part, should focus its efforts on the crucial component of the plan: the removal of obstacles holding back private investment so as to improve of the overall investment climate and business environment in Europe.

Legislating less and better should be the golden rule to deliver the EU better regulation agenda. We count on you to ensure that the new inter-institutional agreement supports the Commission in its efforts to simplify EU regulations and paves the way to better impact assessments throughout the whole legislative process. It is key to ensure more reliance on independent quality advice when devising EU laws.

Proper implementation of the EU regulatory framework in all Member States is also of outmost importance to ensure a well-functioning internal market and a level playing field. More should be done to avoid gold-plating when transposing and implementing EU legislation at all levels.

Promote industrial policy and industrial competitiveness

BUSINESSEUROPE calls on the Luxembourg Presidency to deliver concrete actions in favour of Europe's industrial competitiveness and bring industry's weight in the EU's GDP back to 20% by 2020. This is essential to create more growth and more jobs in all sectors of activity, including services, across Europe.

Industrial competitiveness must be mainstreamed throughout the entire legislative process as a regular *modus operandi*. We welcome the commitment of the Luxembourg Presidency to move in this direction. The Competitiveness Council, and the High Level Group on Competitiveness (HLG), must play a strong role in monitoring and evaluating the competitiveness implications of all EU initiatives. To achieve this goal, the HLG must meet more than just once during the course of the current Presidency.

Speed up digitalisation

Europe is losing ground in the global race for digitalisation. Implementation of the Digital Single Market Strategy is urgent. New EU proposals are announced for 2015 and 2016. They have to be presented as soon as possible. We cannot afford to wait while our competitors move on.

By 2025, Europe could see its manufacturing industry add a gross value worth 1.25 trillion euros thanks to digitalisation. But, if we fail in this transformation, the potential losses can be up to 600 billion euros by 2025 or over 10% of Europe's industrial base.

We count on the Luxembourg Presidency to make progress in the negotiations on the data protection regulation and ensure that the rules adopted protect EU citizens' data and guarantee their free movement in the digital single market, without imposing excessive burdens to the collection, processing and transfer of data.

Improve the single market for goods and services

Further developing the EU single market in goods and services is also essential to boost investment, growth and employment. To have real harmonisation, we need better implementation, application and enforcement of existing rules. In areas where full harmonisation is not desirable or feasible, mutual recognition must be expanded.

We count on the Luxembourg Presidency to achieve progress in the European transport policy. Transport is essential to achieve a well-functioning and competitive single market. It is key to foster an ambitious agreement on the 4th Railway Package. The agreement to be reached must improve quality, increase choice, and reduce costs of railway services.

Build the Energy Union

Secure access to energy at affordable prices is key for companies. Making progress in building the Energy Union to make the EU's energy and climate policy fit with its industrial and growth ambitions is therefore essential. A complete and interconnected Single Market for energy is fundamental in this respect.

We urge the Luxembourg Presidency to work towards a balanced reform of ETS, making the system work for every covered sector. The power industry needs a carbon price that is relevant to utilities' operational and capital investment decision today and in the future. And European manufacturing industry, in particular energy-intensive and trade exposed sectors, must be protected against direct and indirect carbon costs. But this will not be possible if the volume of free allowances post-2020 is insufficient and assumed to decline overtime, irrespective of industry's ability to reduce emissions without losing international competitiveness.

In our view, the Commission proposal to reform ETS published on 15 July 2015 fails to deliver on the European Council's mandate of a strong protection against carbon leakage. It does not safeguard the competitiveness of European industries because it unnecessarily reduces the volume of CO2 emission allowances drastically. This undermines the objective of having a strong and competitive industrial base in Europe and raises the risk of investment leakage, exposing our industries to unfair competition from countries without comparable climate efforts.

Work for a global level playing field in climate policy

European business is part of the answer and is committed to bring technological and behavioural innovation and solutions to fight climate change, but climate change is a global challenge requiring global solutions.

BUSINESSEUROPE supports a global legally-binding climate agreement, committing all major economies to comparable efforts on the reduction, measurement, monitoring, reporting and control of greenhouse gas emissions.

We count on the Luxembourg Presidency to fully play its role in climate diplomacy and contribute to the growing momentum so that the Paris conference in December results in a real turning point and an ambitious global agreement.

Conclude TTIP and progress in other trade negotiations

Ambition is also necessary in trade negotiations with strategic partner countries if we want to improve the prosperity of European citizens. The European Commission should present its revised Trade Strategy after the summer break. Business and companies should be at the forefront of EU Trade

Policy. Meaningful trade and investment openings lead to more competitiveness and more growth for European industries. Such openings can be achieved through the conclusion of ongoing bilateral and multilateral negotiations as well as via the review of older agreements, the development of specific strategies towards major trading partners, better implementation and streamlining of the agreements' adoption process.

Special attention should be paid to the role of services in trade liberalisation. An ambitious, beyond the GATS, agenda should be promoted. Internationalisation of SMEs should be enhanced, promoting their participation in global value chains and in new business opportunities in third markets. A clear and consistent investment policy that comprises market access and protection of investments, including a reformed and effective ISDS, is also required.

The discussions on the Transatlantic Trade and Investment Partnership (TTIP) are in a decisive phase. Now that the US has adopted the TPA bill and that the European Parliament has adopted its resolution on TTIP, real progress should be made towards the conclusion of a TTIP agreement addressing tariffs and non-tariff barriers. Full duty elimination, regulatory convergence and coherence through increased cooperation, improved access to public procurement markets, lifting of all export restrictions on energy and raw materials, simplification of customs procedures and including a state-of-the-art mechanism to protect investment is in the interest of Europe.

We count on the Luxembourg Presidency to support EU negotiators in their efforts to reach political agreement with their US counter parts on a TTIP agreement fulfilling the objectives described above by the end of 2015.

We also rely on the Presidency's engagement to support an ambitious revised EU trade policy, ensure a positive outcome on the free trade agreement with Canada (CETA) and make progress in ongoing negotiations with Vietnam and Japan.

The decision on conflict minerals should be concluded during the Luxembourg Presidency. BUSINESSEUROPE is committed to contributing to a viable solution to the problem of illegal exploitation of minerals and their potential use to fund conflicts. Overall we welcomed the proposal of the European Commission on the establishment of a Union-wide system for supply chain due diligence for responsible minerals. We considered that the report of the INTA Committee constituted a good basis for discussion with the Member States. However, the changes introduced in the Resolution voted in Plenary by the European Parliament raise a number of practical concerns for the effective implementation of the EU scheme. Abolishing the voluntary nature of the scheme and expanding its scope to include the downstream part of the supply chain will have a significant impact in the EU economy that needs to be properly assessed.

We count on you to achieve workable and cost-effective solutions, along the lines of the initial Commission proposal.

Take an employment friendly approach to social Europe

Unemployment is starting to decline but remains far too high. We expect 9.5% unemployment in the EU in 2015 and 9% in 2016 and for the Euro area 10.6% in 2015 and 10.1% in 2016.

Europe's social problems are linked to competitiveness weaknesses, not to a deficit in legislation. The only way to put an end to a shameful European paradox (the co-existence of high unemployment and of unfilled job vacancies) is to reform labour markets and improve the efficiency of education and training systems. Public authorities and social partners must join efforts to achieve these goals. With

the new European Social Partners work programme for 2015-2017 and the recent joint in-depth employment analysis agreed by social partners, we have a useful basis for a new partnership for more growth and jobs.

We count on the Luxembourg Presidency to support the Commission in its efforts to encourage reforms in member states with a renewed commitment to flexicurity principles and find solutions to facilitate mobility while preventing abuses. We are convinced that the way forward is to implement the recently adopted enforcement directive on posting of workers and improve rules on coordination of social security. We are strongly opposed to diverting energies by reopening the Posting of Workers Directive.

Promote a balanced approach on taxation

BUSINESSEUROPE supports the objective to fight tax fraud and evasion. Tax evasion creates competitive distortions at the expense of the vast majority of businesses who paid nearly 2 trillion euros of taxes in the EU in 2012.

We welcome the launch of the Tax Transparency Package and the Action Plan for Corporate Taxation. We share Commission's objective of strengthening tax transparency and improving the corporate tax law framework. However, these objectives should be pursued in a balanced way in order to guarantee European companies competitiveness in the global context. Imposing country-by-country reporting on taxes paid by all listed companies when revising the Shareholder Rights Directive would create disproportionate burdens and send a wrong signal at a time when stock markets lost 1000 listed companies in only 6 years, notably due the costs of complying with existing legislation.

We urge the Luxembourg Presidency to promote a balanced approach on taxation. The efforts to fight fraud and evasion must not undermine fair tax competition. EU Member States have to be able to set their own tax policies and rates within the international rules that they have agreed on.

Regarding the proposals to re-launch the Common Consolidated Corporate Tax Base (CCCTB), to maintain the support of the business community, the CCCTB must both be optional for companies and allow consolidation of profit and losses in different EU Member States. We are concerned that the Commission's intentions, as presented in the Action Plan for Corporate Taxation, do not reflect this.
