



Mr Donald Tusk
President of the European Council
European Council
175 rue de la Loi
BE – 1048 Brussels
BELGIUM

11 December 2015

Dear President,

Message to the EU Council meeting on 17-18 December 2015

The events in Paris on 13 November shed a dramatic light on the issues you will discuss at the EU Council meeting on 17-18 December 2015. They will have profound implications on many policy areas. There are huge expectations and many difficult challenges to be faced: terrorism and security threats, international conflicts, the slowing down of world growth, high unemployment in Europe, energy and climate issues, the asylum and migration crisis, etc.

Member States must work together, in a spirit of solidarity, and provide credible joint answers to these common challenges. There is no time to waste. We must join forces to defend European values and freedoms which are the cornerstone of European integration and of the smooth functioning of our economy, including the open border of the Schengen area over the long term.

A strong economy is an indispensable basis to defend democracy, develop international trade and shape globalisation, reduce unemployment, devise solutions to energy and climate change, integrate asylum seekers and legal migrants, etc. Strengthening our European economy is therefore more important than ever. Companies are an essential part of the solution.

We have made progress, but there is still a lot to do to put our economic house in order. We must continue with structural reforms in our respective countries if we want to improve growth and win the battle for employment. And we must also further improve the governance of our Economic and Monetary Union, as indicated in the attached position paper setting out BUSINESSEUROPE views on the future of Europe's Economic and Monetary Union.

1. Completing EMU

The Five Presidents' report is a welcome first step. However, greater urgency and ambition is needed. The European Union needs to set out a clear path for the coming years in order to strengthen confidence. We can no longer delay important steps. We urgently need to complete the Banking Union, make the European Semester more focused on implementation, and improve coordination of major economic policies as suggested in the communication and set of proposals presented by the Commission at the end of October 2015.



Euro area governments must show a clear commitment to introducing reforms and respect for the rules alongside measures to improve democratic accountability of collective decisions. Progress in these areas is necessary to move forward with a Euro area fiscal capacity as greater solidarity requires stronger individual responsibility.

BUSINESSEUROPE calls on the European Council to ensure delivery of tangible results in the following areas:

- *Economic Union*

- ✓ Put competitiveness at the core and look at all aspects of the business environment with relevance to productivity, respecting national wage setting structures and the autonomous competence of national social partners in this area when setting up independent National Competitiveness Boards;
- ✓ Strengthen implementation of the Macroeconomic Imbalance Procedure in both deficit and surplus countries, and develop a broader macroeconomic analysis to identify risks that may be outside its current scope when monitoring macroeconomic developments;
- ✓ Place a greater focus on employment and the sustainability of social security systems, based on a renewed EU strategy on flexicurity.

- *Financial Union*

- ✓ Address the fragmentation of the EU savings and credit markets and break the negative feedback loop between the financing of banks and governments by putting in place a comprehensive banking union, including making decisions on the further development of the single resolution mechanism and, following asset quality reviews for all relevant banks, a deposit insurance scheme;
- ✓ Strengthen cross-border capital flows and help companies access diversified funding sources in a well-designed Capital Markets Union encompassing all 28 Member States, ensuring consistency between regulatory measures and promoting tax systems that support equity-financed investments.

- *Fiscal Union*

- ✓ Improve the efficiency of fiscal rules as part of the upcoming review of the 6+2 pack, without modifying the underlying spirit of the regulations but bringing necessary simplification;
- ✓ Enhance the long-term stability of EMU and its ability to handle asymmetric shocks to one or more of its economies through access to a Euro Area fiscal capacity or stabilisation fund, fully conditional on Members States implementing structural reforms and ensuring that it does not lead to an increase in the overall tax burden in the Euro area.



- *Political Union*
- ✓ Improve the implementation of reforms within the European Semester, giving greater visibility to country specific recommendations at national level and involving national parliaments as well as social partners.

The single market is at the heart of both the EU and the Euro area. Improving the free flow of goods, services, capital, data and labour can strengthen the adjustment mechanisms essential for a monetary union and increase integration as well as resilience. Progressing with the EMU must be done in a way that protects the interests of all Member States, keeping the door open for the participation of non-Euro area countries.

2. The Single Market

The EU Single Market Strategy presented by the Commission will prove to be a step in the right direction if it delivers concrete proposals rapidly. Future proposals have to maintain a strong focus on implementation and enforcement at national level. Member States have a key role to play in removing remaining obstacles and drive forward the mutual recognition principle. Addressing remaining obstacles often does not require new EU legislation, but rather more consistent application or clarification of existing rules. The same applies to the Digital Single Market Strategy, and in particular to EU rules on data protection, which must, strike the right balance between protecting citizens and facilitating the free movement of data in the Single Market.

When EU rules are necessary, legislators must work together to ensure that legislation adopted at EU level is fit for purpose and effective and can be implemented at national level in a way that supports competitiveness, creating growth and jobs. The golden rule should be legislating less and better.

Revising the posting of workers directive would be in total contradiction with this golden rule. The existing posting of workers directive and the enforcement directive adopted in 2014 provide the necessary tools to address abuse; BUSINESSEUROPE and its member federations are deeply concerned by the Commission idea of introducing a new principle EU law principle of “same pay for the same job in the same place” which would have very far reaching unintended effects on industrial relation systems, wage formation and competitiveness which have not been considered.

3. International competitiveness

Mainstreaming competitiveness across all EU policy areas will deliver real results only through concrete actions. Competitiveness check-ups must support the Council work on better regulation. They must become a concrete tool aimed at avoiding that specific initiatives undermine competitiveness in Europe



BUSINESSEUROPE recalls that the following issues require further attention:

- *The reform of the EU Emissions Trading System*

The EU Emissions Trading Scheme is the cornerstone of climate and energy policy. We clearly support a reform of the system to achieve less carbon price volatility in the future (the 'Market Stability Reserve'). However, the Commission proposal does not strike the right balance to address the risk of investment leakage in a number of energy intensive and trade exposed industries. The average annual investments by energy intensive industries have declined in Europe by 15% compared to pre-crisis, while it has grown in the US by 13% and in Japan by 11%. By reducing so drastically the amount of free allowances, the Commission's proposal is further undermining the global competitiveness of the sectors without delivering significant benefits to the global challenge of climate change. We expect Member States to engage into this specific debate of increasing the volume of free allowances available for the 2020-2030 period. This is not a technical problem. It is a political choice. It is also important to set mandatory compensation measures for indirect costs.

- *The interpretation of China's protocol of accession to the WTO*

China has emerged as an important player on the world scene and is a key trade and investment partner of the EU. The question of the market economy status of China should be separated from the expiry of subparagraph (a) (iii) section 15. There is no obligation for the EU to grant MES to China after 11 December 2016 as a direct consequence of this expiry. Whether or not China should be granted MES is a decision to be based on its own merits and the last assessment made by the Commission in 2011 showed that China did not meet all criteria to receive MES automatically. As indicated in our letter of 26 November on this issue, a solid and comprehensive impact assessment is needed. Furthermore, there is an evident need for the EU to maintain effective anti-dumping instruments that take the real market situation of China into account.

4. UK referendum on EU membership

It is for the British people to decide the outcome of this referendum but European business strongly supports continued British membership of a European Union that takes the necessary reforms to be competitive, outward looking and delivers growth, jobs and prosperity for all.

You can count on BUSINESSEUROPE and its members to play their role in helping to find common European answers to address these crucial issues for Europe.

Yours sincerely,



Emma Marcegaglia