



**Mr Mark Rutte**

Prime Minister and Minister of General Affairs  
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Dear Prime Minister,

**BUSINESSEUROPE's priorities for the Presidency of The Netherlands**

The Netherlands assume the rotating Presidency of the European Union during testing times. 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 challenges, the asylum and migration crisis, etc.

Strengthening our European economy is more important than ever and companies are an essential part of the solution if we want to improve growth and win the battle for employment. 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 and further improve the governance of our Economic and Monetary Union.

BUSINESSEUROPE fully supports the three basic principles to be followed by the Presidency of The Netherlands focussing on the essentials, creating innovative growth and jobs, and connecting with society. Like you, we are convinced that 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 strengthen Europe.

Within the European Union, we count on the Presidency of The Netherlands to:

- set out a clear path for the coming years in order to strengthen confidence and further strengthen the Economic and Monetary Union by fostering progress on the Commission proposals following on the Five Presidents report;
- 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 the further development of the single resolution mechanism and, following asset quality reviews for all relevant banks, a deposit insurance scheme;
- defend open borders in a secure Schengen area with efficient external border controls;
- ensure that the Competitiveness Council plays its role as guardian of competitiveness, building on the progress made during the Luxembourg Presidency on competitiveness checks;



- foster implementation of the better regulation package and of the new inter-institutional agreement for better regulation and impact assessments;
- accelerate implementation of the new Single Market strategy and of the Digital Single Market Strategy;
- 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 rather than pushing for a damaging revision of the original directive;
- promote a balanced approach on taxation, without undermining fair tax competition, imposing public disclosure of commercially sensitive information or gold plating the implementation of BEPS when implementing it at EU level.

Internationally, we urge you to contribute to:

- making progress in transatlantic trade and investment negotiations, addressing both tariff and non-tariff barriers to trade, enhancing regulatory cooperation and investment protection;
- the debate on the new EU trade strategy to ensure real opening of new market and investment opportunities for European companies across the world;
- support the implementation of the Deep and Comprehensive Free Trade Agreement with Ukraine whilst maintaining the dialogue open with Russia;
- engage in the debate on the issue of Market Economy Status (MES) for China to ensure that the issue is treated in accordance with WTO and EU rules. European business believes that there is no requirement to automatically grant MES as a direct consequence of the expiry of Section 15 subparagraph(a)(ii), that the EU's decision making process should be transparent and involve the European business community, that any decision should be based on a solid and comprehensive impact assessment, that the EU must coordinate with and take into account the positions of other major WTO members, and needs to maintain effective EU trade defence instruments that take the real market situation in China into account.

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

During the panel debate on the future of Europe in Davos, I strongly underlined the urgent need for European solutions to these common challenges. I look forward to having a meeting with you, at your earlier convenience, to discuss further how BUSINESSEUROPE can work constructively with you and the different members of your government during the next six months in order to reach this goal.

Yours sincerely,



Emma Marcegaglia

## **BUSINESSEUROPE's priorities for the Presidency of The Netherlands**

### **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 Presidency of The Netherlands 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 establishing 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 Member 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.
- ✓ Ensure that progress with the EMU is done in a way that protects the interests of all Member States, keeping the door open for the participation of non-Euro area countries.

### **Developing the Single Market and the digital economy**

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 driving 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.

Concrete steps are also urgently needed to deliver the Digital Single Market Strategy. Europe is losing ground in the global race for digitalisation. Implementation of the Digital Single Market Strategy is urgent. 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 Presidency of The Netherlands to accelerate implementation of the new Single Market strategy and of the Digital Single Market Strategy

### **Deliver on better regulation and mainstream competitiveness**

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 to improve the level playing field for European companies. The better regulation principles offer interesting prospects to deliver smart EU regulations in key areas such as the recently published circular economy package.

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.

Industrial competitiveness deserves special attention if we are to bring industry's weight in the EU's GDP back to 20% by 2020, in order to create more growth and more jobs in all sectors of activity, including services.

We count on the Presidency of The Netherlands to ensure that the new inter-institutional agreement is fully deployed to simplify EU regulations and pave the way to better impact assessments throughout the whole legislative process.

### **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 Presidency of The Netherlands 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.

### **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 need 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 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.

We count on the Presidency of The Netherlands to increase the volume of free allowances available for the 2020-2030 period and set mandatory compensation measures for indirect costs.

### **A balanced approach on taxation**

BUSINESSEUROPE supports the objective to fight tax fraud and evasion. We welcome the launch of the Action Plan for Corporate Taxation and share the 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. Making country-by-country reporting on taxes paid by companies available to the public would disclose sensitive business information and harm the competitive position of European companies. Such information must be restricted to tax authorities, as foreseen in the OECD Base Erosion and Profit Shifting project (BEPS).

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.

Putting in place a Financial Transaction Tax (FTT) risks despite clear evidence that such a tax would significantly impact on investment and growth in all member states, regardless of their participation in the FTT, will undermine Europe's investment strategy. BUSINESSEUROPE therefore remains strongly opposed to this proposal.

We urge the Presidency of The Netherlands to promote a balanced approach on taxation, without undermining fair tax competition or leading to public disclosure of commercially sensitive information. EU Member States have to be able to set their own tax policies and rates within the international rules that they have agreed on, without gold plating the implementation of BEPS when implementing it at EU level.

### **Ambitious trade negotiations**

Ambition is necessary in trade negotiations with strategic partner countries if we want to improve the prosperity of European citizens. The European Commission presented its revised Trade Strategy. 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. A clear and consistent investment policy that comprises market access and adequate protection of investments is also required.



The discussions on the Transatlantic Trade and Investment Partnership (TTIP) are in a decisive phase. 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 an adequate mechanism to protect investment is in the interest of Europe.

We count on the Presidency of The Netherlands to contribute to the debate on the new EU trade strategy and ensure real opening of new market and investment opportunities for European companies across the world by supporting EU negotiators in their efforts to:

- reach political agreement with their US counter parts on an ambitious TTIP agreement,
- ensure a positive outcome on the free trade agreement with Canada (CETA),
- make progress in ongoing negotiations with Japan, and
- support the implementation of the Deep and Comprehensive Free Trade Agreement with Ukraine whilst maintaining the dialogue open with Russia,
- resume negotiations with MERCOSUR conditioned to a clear engagement to achieve an ambitious and balanced outcome and modernize the free trade agreement with Mexico.

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 treated in accordance with WTO and EU rules and separated from the expiry of subparagraph (a) (iii) section 15 of China's Accession Protocol to the WTO. 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. 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.

We urge the Presidency of The Netherlands to ensure that the question of the market economy status of China is treated in accordance with WTO and EU rules, based on a proper assessment by the Commission and in coordination with other major WTO members.

Concerning conflict minerals, 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, 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 and raise practical concerns for an effective implementation by SMEs.

The Presidency of The Netherlands should aim at achieving workable and cost-effective solutions on conflict minerals, along the lines of the initial Commission proposal.

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