BUSINESSEUROPE

THE PRESIDENT

Mrs Laimdota Straujuma
Prime Minister of Latvia
36 Brīvības Boulevard
LV – 1520 Riga
LATVIA

16 January 2014

Dear Prime Minister,

BUSINESSEUROPE's priorities for the Latvian Presidency
A competitive, digital and engaged Europe to deliver growth and jobs

The Latvian Presidency will be focusing on a competitive, digital and engaged Europe. BUSINESSEUROPE believes that these areas are important to generate more growth and create more jobs. They also fully support your objectives of increasing competitiveness and entrepreneurship, seizing digital opportunities and ensuring Europe's global outreach.

Within the European Union, we count on the Latvian Presidency to foster agreements on:

- concrete measures to create the European Fund for Strategic Investment and improve the investment climate in Europe to implement the new EU investment plan;
- ambitious structural reforms, including on labour markets, in the context of the Europe 2020 strategy, which must be refocused on growth and jobs;
- a fully-fledged industrial competitiveness roadmap during the next Spring EU Council;
- measures which will enable EU businesses and citizens to take advantage of the digital opportunities and which will further develop the single market.

Internationally, we urge you to contribute to

- making progress in the ongoing transatlantic trade and investment negotiations,
- implementation of the Deep and Comprehensive Free Trade Agreements in the context of the Eastern partnership,
- the emergence of an ambitious climate agreement in the run-up to the Paris summit and a balanced and adaptable EU 2030 energy and climate package.

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

We look forward to working constructively with you and the different members of your government during the Latvian Presidency.

Yours sincerely,

Emma Marcegaglia

BUSINESSEUROPE

BUSINESSEUROPE's priorities for the Latvian Presidency

A competitive, digital and engaged Europe to deliver growth and jobs

1. Concrete measures to create the EFSI and implement the EU investment plan

BUSINESSEUROPE welcomes the new Commission's will to do things differently. The plan published by the Commission on 26 November 2014 is a first important step forward. However, its success will depend on more ambitious steps to follow. The real challenge starts now. Words must be turned into action. If we are to lay the foundations for our future competitiveness and prosperity, we need a step change in efforts to tackle the obstacles hampering private investment in Europe.

We agree that the key focus is on raising investment by the private sector. BUSINESSEUROPE has identified barriers that need to be addressed if we are to improve long-term investment:

- Economic, political and regulatory uncertainty undermines investment. Companies need a clear commitment from governments to structural reforms, stable public finances, further strengthening of the Economic and Monetary Union, better regulation and a predictable regulatory environment which supports long-term decision-making.

- The cost of doing business in Europe is too high. High energy prices, uncompetitive tax regimes, and high labour costs must urgently be addressed.

- Access to finance remains a concern. Bank lending must be supported through balanced regulation. Non-bank financing sources must be expanded. Greater use should be made of EU and EIB funds to leverage private-sector lending, taking into consideration the specificity of SMEs.

- Unnecessary Single Market access constraints create bottlenecks to growth and employment. Barriers discouraging companies to work cross-border in our single market must be addressed as part of our strategy to strengthen it.

- Market access outside the EU must be improved if we want to be successful in the global economy. Concluding ambitious trade agreements, in particular with the United States, to boost transatlantic trade and investment is essential for European growth and employment.

- Risk aversion must be addressed. To support innovation and entrepreneurship, we need an innovation principle and a balanced approach to the precautionary principle. EU rules tend to focus on minimising risks to the maximum and funds for innovative projects do not allow for much risk-taking.

We also agree that public investment, carefully directed to support competitiveness, can play an important role. We call on Member States to give greater priority to productive investment within their overall expenditure plans, while ensuring the sustainability of public finances, supported by the flexibility provided within the rules of the Stability and Growth Pact.

We support the creation of the new European Fund for Strategic Investment (EFSI) designed to draw on a guarantee of €21 billion to attract over €315 billion in new investment over the 3 year period. Using a small amount of public funds to leverage private sector provision through the EIB can be an effective way to ensure that we choose projects that best drive productivity and growth. Nevertheless, given the urgent need to raise competitiveness, we would have liked to see that the allocation to the new fund result in an increased focus on competitiveness within the overall EU budget, rather than drawing on key areas such as Horizon 2020 and Connecting Europe.

It will be fundamental to make sure that the new fund is used to support additional projects, foster a less risk-adverse attitude and finance projects that would not have been financed by the private sector anyway. We also recommend investing in particular in key transport, energy and broadband projects with a cross-EU dimension that can enhance the single market as well as R&D and innovation, skills and ICT.

Given the ambitious leverage ratios, synergies with existing national funds will be of strategic importance. In order to avoid any delays in making the EFSI fully operational, swift clarification will be needed on how to develop the proposal that Member States could provide additional capital to the fund. It will also be important that the Commission maintains its promise not to take capital contributions to the EFSI into account in their assessment under the Stability and Growth Pact. More generally, Eurostat should be required to give greater ex-ante guidance and certainty to Member States on exactly how they intend to classify their investments.

Last but not least, if we are to maximise private involvement in the fund, it will be important that the fund has a clear governance structure with transparent eligibility and selection criteria for projects.

2. Ambitious structural reforms, including on labour markets

Gradual convergence between more and less developed EU countries and regions should be promoted. The process of economic policy coordination must be streamlined and followed by real implementation of ambitious growth-enhancing reforms in the Member States.

The review of the Europe 2020 strategy must result in a real focussing on growth and jobs. The competitiveness component of National Reform Programmes and Country Specific Recommendations must be strengthened. The key policy frameworks to be mobilised should be identified and properly articulated to ensure coherence of policy objectives. Europe 2020 should monitor progress in improving competitiveness in different areas, reporting to the EU Council each year.

At the same time, smooth functioning of the Economic and Monetary Union must be ensured, underpinning its structure and keeping Member States to their commitment to deliver necessary structural reforms, as well as strengthening public finances through reductions in public expenditures that prioritise investment, rather than tax increases. The Stability and Growth Pact should be fully respected, using the flexibility built in the current rules to carry out smart public expenditure reductions and prioritise investment.

Employment, particularly of young people, is hindered when employment regulations are rigid, or non-wage labour costs and minimum wages are unduly high. To facilitate job creation, Member States must live up to their commitment and implement the country-specific recommendations adopted as part of the European semester.

The European Union for its part must avoid proposing any new EU legislation that would undermine job creation and remove over-burdensome requirements from existing EU legislation. The working time directive should take into account the distinctive nature of on-call time and avoid imposing further constraints hampering companies' capacity to adapt working time to the economic cycle. The ongoing revision of the directive on Institutions for Occupational Retirement Provision – IORP – must support further development of the internal market without undermining the cost-effective provision of occupational pensions by employers.

3. A fully fledged industrial competitiveness roadmap

To reach at least 20% of EU GDP generated by industry by 2020, the EU must bridge the gap between good competitiveness intentions and real actions. The Commission must propose a fully-fledged roadmap on industrial competitiveness ahead of the next Spring EU Council meeting.

EU governance must be improved and the competitiveness effects of every proposed measure must be carefully assessed in all EU policy areas before a proposal is made, as well as when it is substantially modified. The Competitiveness Council must examine all proposals that have substantial effect on industrial competitiveness and the High Level Group on Growth and Competitiveness must play a stronger role in the preparation of the Competitiveness Council meetings. To achieve an optimum support, a permanent elected chair of this group has to be established.

The update of the Small Business Act to be presented by the Commission in the next months must ensure that access to finance for SMEs is improved, both for bank and non-lending financing routes. In addition, SMES must be supported in their efforts in innovate and internationalise, for instance through specific cooperation mechanisms.

4. Seizing digital opportunities and developing the single market

Digital is crucial to ensure Europe's competitive advantage in the global economy and deliver growth and jobs. A "fourth industrial revolution" is currently taking place, cross-linking industrial automation with IT applications over the internet. By connecting machines, work pieces and systems, it is possible to create intelligent networks along the entire value chain which can control each other autonomously. This will contribute to the creation of new business models, with positive repercussions on the single market.

BUSINESSEUROPE counts on the Latvian Presidency to ensure that data protection legislation enables data-driven innovation and helps Europe leveraging the huge potential stemming from the use of big data. The right balance must be found between protecting citizens' privacy and free flow of data, both in the digital single market and outside the EU.

The progress made in the digitalisation of the European economy also depends on the overall functioning of the single market. BUSINESSEUROPE therefore calls on Member States and EU institutions to remove remaining barriers hampering cross border provisions of goods and services in the EU. This often does not require more legislation but rather better application of existing rules. In particular, it will be necessary to identify and address remaining obstacles to the free movement of services through a targeted, sector-based approach, starting with the sectors with the greatest economic significance, such as business and professional services, construction, tourism and retail. As requested by the Competitiveness Council in December 2013, BUSINESSEUROPE expects the Presidency to support the Commission on a clear and ambitious action plan to address the barriers that companies still experience.

Mutual recognition must be better applied in the area of goods, with a mutual recognition clause in new legislation where full harmonisation is not desirable or feasible. Its application must be expanded when possible to other areas of single market policy.

5. Pursue ambitious trade agreements

Concluding ambitious trade agreements with strategic partner countries is essential for the prosperity of European citizens. The Transatlantic Trade and Investment Partnership (TTIP) alone is expected to lead to a gain of € 545 a year for an average European household, boosting the EU economy by € 120 billion annually and create 1.3 million additional EU jobs over 10 years.

The TTIP negotiations will enter a decisive phase in 2015. The Latvian Presidency must work towards the conclusion of an ambitious TTIP agreement addressing tariffs and non-tariff barriers. Full duty elimination, regulatory convergence and coherence through increased cooperation, fair and equal 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 are among the key business priorities.

The Eastern Partnership is another key priority of the Latvian presidency. Implementation of the Deep and Comprehensive Free Trade Agreements will improve the overall business climate and stimulate bilateral investment, enhancing economic and social cohesion in the countries concerned as well as closer ties with the EU. In parallel we should maintain the dialogue open with Russia, a key economic and political player in the region.

6. An ambitious climate agreement and an adaptable EU 2030 energy and climate package

The EU's 2030 energy and climate framework can be a game changer, provided that the EU aligns climate objectives with its industrial growth ambitions. Balancing better cost-competitiveness, security of supply and climate objectives is the only way to bring down energy costs, which are currently exposing the European industrial value chain to severe competitive disadvantages in global markets and leading to investments leakage.

This new approach should be properly reflected into the upcoming Energy Union, by placing industrial competitiveness at the centre of the initiative. The completion of the EU internal energy market and diversification of energy supplies are other cornerstones in this perspective, respecting the fact that decisions on energy mix are a national competence. Deepening the integration of energy markets through effective and consistent implementation of the Third Energy Package across Member States, fostering the development of cross borders connections will be fundamental also to ensure security of supply and avoid high energy prices.

The Latvian Presidency must work for the development of a balanced EU 2030 energy and climate legislative package, adaptable to the outcome of the international negotiations in Paris in 2015, and a reform of the EU ETS post-2020 to establish the system as the EU only instrument for decarbonisation of industry.

BUSINESSEUROPE and its members are fully committed to building a competitive Europe, with more investment, more growth and more jobs. The Latvian Presidency can count on our support in its efforts to refocus the EU agenda on these vital priorities.