



Ms Angela Merkel

Chancellor of the Federal Republic of Germany
President of the European Council
Bundeskanzleramt
Willy-Brandt-Straße 1
10557 Berlin
Germany

2 March 2007

Dear Chancellor,

In view of the Spring European Council BUSINESSEUROPE calls on you as President of the European Council to seize the opportunity of the business cycle upturn to complete reforms for growth and jobs and not to stop short, thereby repeating the mistakes of past recoveries. Although noteworthy progress has been made in economic reforms, the pace and scale of reforms, especially for more flexibility in labour markets, must be considerably stepped up to meet the challenges Europe is facing. This is the overall assessment BUSINESSEUROPE and its national member federations reached in the “**European Reform Barometer**”, which you will find enclosed with this letter.

We draw your attention to a number of pivotal elements on the Council's agenda:

On **better regulation**, the goal of reducing administrative burden by 25% within five years at EU as well as national level is a priority for business. The proposed “Independent Expert Committee” to assist the Commission and the Member States in fulfilling this goal is an important step towards more independence in the better regulation process.

Business also calls for a real commitment from Member States to reinvigorate the **internal market**. Better law-making relying on efficient and technology-friendly standards, timely and correct implementation of directives, as well as better enforcement of the mutual recognition principle for both goods and services are means for achieving this.

With regard to various initiatives to boost **research and innovation** in Europe such as the European Institute for Technology and the Joint Technology Initiatives, we call for the explicit involvement of the business community as a sine qua non for these initiatives to be successful. In addition, it is high time to reduce patent costs and to simplify the current litigation patchwork in Europe.



Business within the EU is and remains conscious of the climate change problem and committed to play its role to help find a global solution. But we have deep concerns regarding a **unilateral** target for reducing **greenhouse gas emissions**. Such a target would seriously damage competitiveness in the EU, especially in the absence of a concrete policy response to counter negative impacts on energy-intensive industries. Furthermore, a unilateral target could make it much more difficult to seek an international agreement with countries which do not opt for the methodology of targets and timetables. Any future EU climate regime must be flexible so as to engage global participation and share the burden fairly amongst all areas of society, including households and transport.

We are also very concerned about a 20% binding target for the share of **renewable energy** in overall EU energy consumption. Some open questions, especially on financial efforts needed to promote research in new technologies and on the future of nuclear energy in Europe must be settled first before such ambitious commitments are made.

Regarding the effective separation of energy supply and production activities from network operations, we call as a priority for the complete implementation, in letter and spirit, of the 2003 **energy internal market** directives. If this proves insufficient to foster a competitive energy market in Europe, a next step will be needed.

As regards **external energy relations**, we expect the EU to develop a more coherent framework to develop effective and properly financed policies to diversify energy imports, to reduce the over-reliance of some Member States on single gas suppliers and to engage in constructive dialogues with key producer countries on security of supply issues and with major consumer countries to cooperate on energy efficiency matters.

This year's Spring European Council will be of crucial importance for Europe's future economic direction. I appeal to you and your fellow heads of state and government to ensure that its outcome will give a boost to Europe's competitiveness.

Yours sincerely,

Ernest-Antoine Seillière