

MESSAGE TO THE EUROPEAN COUNCIL, 19 & 20 JUNE 2008

Dear Prime Minister Janez Janša,

The Council of Presidents of BUSINESSEUROPE met in Maribor (Slovenia) on 13 June to discuss EU's policy agenda in general and expressed the following expectations for the EU Council on 19 and 20 June in particular.

Ratification of the Lisbon Treaty...

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European business leaders deplore the outcome of the Irish referendum on the Lisbon Treaty. We are even more dismayed because a successful Europe is key for having successful companies. The business community cannot afford to be bogged down in another institutional crisis: the challenges companies and citizens currently face are simply too imperative to be set aside. In spite of the referendum's outcome the ratification process has to go on.

What is important now for European business is that we need to keep the ratification process going while governments find a solution.

Assessment of the EU economy...

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Our growth forecast for 2008 of around 2.0% for the EU as a whole underlines, that excessive pessimism regarding the European economy is misplaced. Yet, it is essential that our confidence is supported by the right policy decisions.

Inflation affected by high food prices ...

Inflation rates, affected by high and rising commodity prices, must be mitigated across Europe. This notably calls for wage settlements to remain moderate and for rapid implementation of reforms agreed under the Lisbon strategy at the last Spring Council, particularly those aimed at completing the internal market for services and removing barriers to competition in key sectors such as retail trade and distribution

BUSINESSEUROPE welcomes that the EU Council will discuss an appropriate policy response to the dramatic increase in food prices observed on world markets recently.

Modernise EU agricultural policies...

High food prices are considerably transforming the outlook for the European agricultural sector, creating supportive conditions for modernising the European Common Agricultural Policy (CAP). Indeed, there is ample scope to open the sector to competitive forces, stimulate agricultural investment, productivity and supply responsiveness, and at the same time to remove subsidies and trade restrictions which exacerbate price instability, constrain food supplies and complicate progress in international trade negotiations.

Over the more medium term, far-reaching CAP reforms would make it possible to shift significant EU budget resources after 2013 towards research, innovation, skills and mobility, hence making the next EU budget a more effective instrument for the EU's competitiveness agenda.

Finally, BUSINESSEUROPE considers that the current high food prices give additional weight to its call for the EU to reconsider the 10% target for biofuels in transport, especially in the absence of a breakthrough in second-generation technology.

Climate change strategy must not widen energy price disadvantage for EU industry...

- **Energy and climate change**

BUSINESSEUROPE calls for attention to the increased cost of raw materials and energy. Pressure on European industry is considerable in this regard. Energy prices are already higher in Europe than in other parts of the world and the EU's ambitious but so far unilateral climate change strategy risks increasing this competitive disadvantage further.

The business community is determined to intensify its contribution to climate protection, but is concerned about measures currently being envisaged in the field of renewable energy and in the revision of the European Emission Trading Scheme (ETS). Regarding the latter, we insist that energy-intensive industries exposed on an evidence basis to international competition must receive 100% free allocations against independently scrutinised benchmarks until there is an international agreement with equivalent burdens for industry outside Europe. The negative indirect effects of the ETS in the absence of an international agreement should also be prevented.

Chances for improved international trade at stake ...

- **International trade**

BUSINESSEUROPE is committed to the multilateral process and to an ambitious conclusion of the Doha Development Agenda. We are concerned however about the current direction of the negotiations. The latest negotiating text on industrial goods increased emerging countries' possibilities to shield competitive sectors from tariff reductions. This would give them an unfair advantage to European companies. The draft needs to be improved by ensuring that whole sectors are not eliminated, providing for tariff elimination agreements for specific areas and taking a robust approach to non-tariff barriers. Greater clarity is also crucial on what the EU will gain in services.

I take this opportunity to congratulate you on a successful EU Presidency and for maintaining close relations with the business community.

Yours sincerely,



Ernest-Antoine Seillière, President of BUSINESSEUROPE