



Mr Mirek Topolanek  
President of the EU Council  
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Czech Republic

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Dear Prime Minister,

The Czech Republic has taken over the presidency of the European Union at a critical moment. European companies are deeply concerned about the economic situation, energy security and delays in completing the WTO trade negotiations, which could have dramatic consequences for Europe and its citizens.

The creation of a Europe without barriers is undoubtedly part of the solution. European enterprises therefore fully support the overarching theme and three priority areas on which you will focus your actions. Our 40 member federations, and the small, medium-sized and large European companies affiliated to them, expect concrete measures from EU policy-makers.

The purpose of this letter is to highlight the key actions they would like to see taken during the first half of 2009 and to thank you for your personal involvement during the gas crisis.

The slowdown is turning into a recession in most EU Member States. In 2009, growth is expected to decrease by 1.8 % in the EU, 1.9% in the eurozone and unemployment to increase by 4 million, reaching 8.7% in the EU, 9.3% in the eurozone and coming close to 10% in 2010.

A four-pillar strategy is needed to alleviate this unprecedented crisis aimed at:

1. improving companies' access to finance,
2. implementing effective recovery measures,
3. speeding up reforms and
4. resisting all forms of protectionism.

At the same time, it is important to avoid introducing new legislative proposals that could hamper competitiveness and delay the recovery, such as the revision of the maternity leave directive or the new anti-discrimination directive. The EU commitment to better and smarter regulation must be respected.



## **Economy**

In the difficult months ahead, it should be the permanent concern of policy-makers to ensure that viable businesses can access financing and will not file for bankruptcy as a result of short-term liquidity constraints. Important initiatives have already been taken by governments and central banks to address the most immediate concerns. However, further exceptional measures should be considered. For example, central banks and governments could explore options for temporary schemes to buy commercial paper and other debt instruments directly from companies.

In parallel, important reflections have also started on future capital market reforms. The dialogue between the business community and policy-makers should be reinforced to develop together the most appropriate solutions to re-establish the effectiveness of financial markets.

Strong determination and clear leadership is required to create the conditions for a sustainable recovery. The European Economic Recovery Plan adopted in December 2008 and the European growth and jobs strategy can and must reinforce each other. BUSINESSEUROPE counts on the Czech presidency and the EU Commission to make this happen. Full and rapid implementation of the 200 billion euro in the EU budget, credible national economic stimulus packages and a firm commitment to pursue the structural reforms foreseen in the European growth and jobs strategy are essential to avoid a deepening of economic and social difficulties.

Positive spin-off effects can be created between the different priorities pursued by the Czech presidency. For example, 5 billion euro is earmarked to finance new projects for energy network interconnection and Internet broadband in the EU recovery plan. BUSINESSEUROPE very much hopes that Member States will adopt the Commission proposals to make this happen during the Spring European Council meeting on 19-20 March 2009.

## **Energy and climate change**

The ambitious EU energy and climate change package adopted in December 2008 makes it necessary to step up efforts to integrate EU policies for competitiveness, security of supply and climate protection. The package has clarified the EU's strategic approach. This is positive. However, it will also require European companies – and especially SMEs – to struggle with yet higher prices for energy and CO<sub>2</sub> compared with their competitors.

BUSINESSEUROPE counts on the Czech presidency to lead the EU work towards a quick clarification of important outstanding practical issues such as the definition of sectors exposed to carbon leakage. This must be done with the involvement of relevant stakeholders. European companies also insist that the EU must ensure that comparable efforts are made in other regions in the world through bilateral contacts



with the main CO<sub>2</sub> emitters and during the two preparatory meetings of the UNFCCC Conference to be held in Bonn in March and June 2009.

80% of the Russian gas shipped to Europe passes through Ukraine. Some member states which have supply contracts for Russian gas transiting through Ukraine are facing/have been faced with extremely worrying problems of gas supply. Russia and Ukraine must respect their contractual supply and transition obligations. We greatly appreciate the actions that you have taken rapidly, together with the Commission, to deal with this crisis.

European companies also count on the Presidency and the Commission to work closely together to ensure the longer-term reliability of Russian gas deliveries to Europe. We believe that lessons must be learnt from what happened when discussing the second action plan on EU energy policy for 2010-2012 during the Spring EU Council. BUSINESSEUROPE supports the three objectives defined by the Czech presidency in this field: improving the internal energy market, increasing energy use efficiency, diversifying supply of energy sources and transport routes.

With regard to the third energy markets liberalisation package, it is essential to establish an effective unbundling regime and improve governance in the internal gas and electricity market. European companies also need other market-based mechanisms, including long-term contracts freely negotiated between suppliers and users, to address companies' concerns with regard to rising gas and electricity prices. BUSINESSEUROPE urges the Energy Council to take on board the European Parliament's request that national energy regulators promote such contracts.

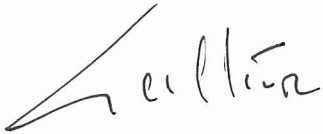
### **Europe in the world**

With 2 trillion euro of trade in goods, 800 billion in services and 150 billion in annual FDI outflows, the EU is a significant global player. Recent events have demonstrated the important stabilising role it can play in the world economy as well as the value of the euro as a protecting factor for European economies. However, the EU's global leadership position in trade and investment also makes it necessary to have open and fair rules to govern world trade flows. BUSINESSEUROPE is deeply disappointed that, despite the explicit demand of the G 20 to reach agreement by the end of 2008 on modalities leading to a successful conclusion to the WTO Doha Development Agenda with an ambitious and balanced outcome, no progress has been made. European companies demand that EU leaders combine their efforts to convince WTO members to do the necessary efforts to overcome the present deadlock. The economic crisis we are facing makes this all the more necessary.

At the same time, the EU must also shape its bilateral relations with its main trading partners so as to eliminate tariff and non-tariff barriers to trade. Transatlantic relations are of particular importance in this respect. The Transatlantic Economic Council (TEC) needs to be re-launched in order to make progress in the creation of a free transatlantic market. It requires that both the US and EU political leaders remain committed to the process. The designation of the person who will represent the US President in this

forum is urgently needed. BUSINESSEUROPE asks the Czech presidency to contact the new US administration to allow the TEC to resume its work without delay.

Yours sincerely,



Ernest-Antoine Seillière