



More Growth and Jobs in the European Union

Message to the Danish Prime Minister, Mrs Helle Thorning-Schmidt
at Council of Presidents in Copenhagen on 15 June 2012

Enterprises of all sizes and all sectors are the main drivers for growth and jobs in Europe.

Political determination and leadership is needed to reassure the financial markets that Europe is united and committed to safeguard the euro and recreate growth.

There is no opposition between growth and budget consolidation. They are in fact closely interlinked as sound public finances are required for long-term sustainable growth.

Consequently, the highest level of political commitment to structural reforms in all Member States and swift implementation of the country-specific recommendations of the European Commission are paramount to bring Europe out of the crisis.

Safeguarding the Euro

A stable Euro is key to the success of European businesses and the future prosperity in Europe. No growth strategy is therefore complete unless it reinforces trust in the Euro and includes concrete steps towards deeper political integration.

Europe needs a well functioning banking sector. The fragile state of a part of the European banking sector poses an eminent threat to the European economy as a whole. Reliable banks underpin consumer confidence and consumption and provide companies with access to finance for investment in production.

BUSINESSEUROPE supports the vision of greater integration of financial markets within Europe and calls on the EU leaders to swiftly and immediately take the necessary actions to safeguard the European banking sector.

Action should be taken both by using the existing available tools and by considering other means which can effectively stabilize European banks and protect the entire Eurozone. In this respect allowing the European Stability Mechanism (ESM) to lend directly to financial institutions is an option to be considered, conditionally upon the ESM having the necessary legal competence to impose strict conditions and the necessary means to do oversight.

Greater fiscal integration in the Euro Area should also be a long-term aspiration. Conditional upon transfer of significant national budgetary authority to the European level, the proposal of Eurobonds could be considered in the long-term. Collectively guaranteeing public debt in the Euro Area must however not undermine financial market pressure for fiscal consolidation and structural reforms.

Concrete actions for growth and jobs

Governments and EU institutions need to adopt policies that support private sector-led growth. European companies need an effective supply side policy supporting their development and enhancing their investments in future markets. BUSINESSEUROPE would like to stress the following key elements to restore growth in Europe:



- **Consolidate public finances**

Getting public budgets under control is key to restore financial stability and growth in Europe. Balanced budgets are therefore not the alternative, but a requirement for financial stability and hence long-term growth. Prioritization of public spending will help restore balanced public budgets. Public spending should be moved away from passive financial support, creating room for investments in research and education, infrastructure and other areas that create sustainable growth. BUSINESSEUROPE urges Member States to further accelerate the reform agenda and irrevocably commit to the country-specific recommendations of the European Commission arising from the European Semester.

- **Carry out structural reforms**

Structural reforms will increase productivity, lower production costs and improve innovation performance, hence improve the European competitiveness. Strong reform efforts consequently have to be made across the board. These include overhaul of tax systems, health sector, pension system and wage setting mechanisms.

Reform of labour market rigidities must continue. In order to increase employment, in particular for the young, we need a flexible European labour market where non-wage labour costs do not inhibit job creation and where education systems are reformed in order to provide the competences needed on the labour market.

- **Improve the single market**

European companies are still faced with a multitude of de facto borders and administrative burdens. The Single Market must be expanded and integrated more to avoid this. A supportive business environment includes world class transport infrastructure and communications networks. Also, investment in European energy infrastructure is needed. A fully connected European energy infrastructure will help to ensure sufficient and affordable energy supply.

- **Increase investment and ensure access to finance**

Companies experience difficulties in accessing finance. More effort to correct this is needed. All the more it is important to stabilize the banking sector. Strengthening the European Investment Bank (EIB) by means of EU's structural funds should be explored further. A stronger EIB will have a positive effect on growth as EIB would be able to increase its loans to small and medium-sized enterprises, and make it more attractive for private investors to invest in economically viable large infrastructure projects through project bonds.

- **Boost growth through trade**

Open markets are a key driver of investment and job creation, but EU companies still face many barriers in accessing foreign markets. The EU should use all its negotiating power to deliver new market access opportunities for EU companies, thus contributing to the strengthening of the EU manufacturing and service industry. Europe needs to build a strong presence in global markets by engaging in closer trade and investment relationships with strategic trade partners.