



**Mr Herman Van Rompuy**

President

European Council

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BELGIUM

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Dear President,

### **Europe's economy is turning a corner: EU Council must help accelerate growth**

In a few days, the European Council will take stock of the actions taken since June 2013 to enhance growth, competitiveness and employment in the European Union, assess the progress made to further strengthen the Economic and Monetary Union and discuss how to develop the digital economy, innovation and services.

There are positive economic signals. The EU economy has grown slightly in the second quarter of the year. Business confidence is starting to pick up. However, the economic situation remains fragile and continues to diverge across the continent. Unemployment remains unacceptably high in many Member States and problems of access to finance for companies in countries most strongly hit by the crisis threatens the nascent recovery. Consistent and rapid implementation of the decisions announced in June 2012 and 2013 is therefore absolutely essential to complete the EMU, boost growth and restore political and social cohesion.

The coming year will be decisive for Europe. Private sector growth will be the main driver for long term sustainable growth. The right regulatory environment must be put in place to foster this growth, thus resulting in jobs and prosperity for all. However, business continues to face increased administrative costs and EU leaders must do more to reform the regulatory environment in order to reduce these burdens on business.

If we want to reduce unemployment, we must improve access to finance for companies and put in place a real banking union, enhance industrial competitiveness, develop the digital economy and facilitate innovation in general. At the same time, we must improve the governance of the Economic and Monetary Union, continue to consolidate public finances and step up the reform momentum at national and at European level. BUSINESSEUROPE urges the European Council to speed up the progress towards completing the EMU and refocusing all EU policies on competitiveness. The acknowledgement of these priorities has to be followed by determined action.

### **Access to finance for companies**

A sustained recovery will only be achieved if companies have access to finance and all institutions concerned should be mobilised to this end. Above all, this means taking significant further steps towards a Banking Union. Agreement on common rules for bank resolution is essential to encourage responsible risk-taking by banks and build confidence in government finances. We count on the Council and Parliament to swiftly reach agreement in this area. But this will not be enough. We also need a single resolution mechanism and a strengthened deposit insurance framework as soon as possible. BUSINESSEUROPE therefore calls on all Member States to make significant progress in developing a common view on this issue and pave the way to an agreement at the December European Council meeting.

In addition, in order to ensure that lending to SMEs can start in January 2014 as foreseen, this European Council must urgently agree the parameters for the design of the new joint Commission-EIB risk sharing instrument to be co-financed by the bank and structural funds.

### **The digital economy, innovation and services**

The development of the digital economy is extremely important for future jobs and growth in Europe. If the right policies are put in place, the digital economy could help the EU gain 5% of GDP and create 4 million jobs. It is crucial to clearly acknowledge the impact of digital technology developments not only in digital industries, but also as a key enabler of business growth even in the “traditional” sectors of the economy.

The digital economy is data-driven and rules on data processing will have a profound impact on competitiveness. The EU legislative framework must provide workable solutions for companies for cross-border data transfer, while at the same time ensuring appropriate safeguards to enhance consumers’ trust. A number of provisions in the proposed reform of the EU data protection framework could have a negative impact on business. BUSINESSEUROPE would be extremely concerned if haste led to the adoption of an inadequate data protection regulation. We therefore strongly advise against setting a timeline for adoption of this data protection regulation.

The European Council must also encourage the development of crucial digital infrastructure. An increase in broadband penetration rate by 10 percentage points increases annual per-capita GDP growth by 0.9 to 1.5 percentage points. Average broadband speeds are 10 times faster in some Member States than in others, and even the best performing EU Member States still lag behind some international competitors, such as Japan. The need to create a true European single telecoms market and increase incentives to invest in the necessary infrastructure across the EU could not be more urgent.

In the digital area, Europe has dropped from world leader to second tier player in only a few years. In order to reverse this trend, the European Council must adopt an overall consistent approach to innovation, ICT and industrial policy and in particular give directions for a regulatory environment that stimulates, not hinders private investment.

Innovation is absolutely key and EU institutions must therefore quickly finalize the political agreement reached on the Horizon 2020 package to ensure a timely start of programmes in 2014. To encourage private investment in innovation, having a globally competitive policy on intellectual property is essential too. BUSINESSEUROPE does not support policy proposals stipulating that intellectual property from EU-funded projects needs to first be exploited within the EU. And continued simplification of rules for participation to publicly co-funded research and innovation programmes, based on company’s usual accounting practices is needed.

Optimizing implementation of the Services Directive is also crucial. The recent peer review of the implementation of this directive shows that Member States have kept many national requirements, which do not breach EU legal obligations but hamper the cross-border provision of services and undermine growth and employment. BUSINESSEUROPE urges the European Council to encourage Member States to shift from a purely legalistic compliance to a competitiveness-enhancing application of the services directive by removing these obstacles.



### **Employment and the social dimension of the EU**

The social dimension is an integral part of EU integration since the outset and ensuring that it contributes to fulfilling the EU objective of promoting the well-being of citizens is essential.

The EU represents only 7% of the world population and 20% of global GDP but at least 40% of global public spending in social protection. It also has highly developed labour market regulations, including some 70 European directives setting minimum social standards in the Single Market. If Europe wants to defend its high living standards, it must restore growth, reform its social systems to make them sustainable and shape the social dimension of the European Union to ensure that it supports our global competitiveness. We must always bear in mind that social progress and the sustainability of our social security systems are closely linked to economic success.

Insufficient labour market flexibility and unsustainable social protection systems have undermined our competitiveness and weigh on growth and job creation. Addressing the real cause of the persistence of high unemployment is essential to make progress and live up to the expectations created by the Youth Employment Initiative.

Strengthening EMU through both structural reforms at national level and improved governance structures is fundamental to restoring growth and employment creation. BUSINESSEUROPE supports the introduction of contractual arrangements, provided the proposals strike the right balance between solidarity and responsibility by increasing incentives for structural reforms, and do not lead to an increase in the overall tax burden in the EU or the Euro Area. However, we are convinced that the creation of an EMU level unemployment insurance, as envisaged in the Commission communication on the social dimension of the EMU, would not create the right incentives for Member States to undertake the structural reforms necessary to drive growth and employment and therefore disagree with this idea. To be effective, funds provided through EMU solidarity mechanisms should be targeted, temporary, and conditional on the delivery of necessary structural reforms.

Competitive companies are the key to Europe's prosperity. Europe's economy is turning a corner. European leaders must feed emerging growth with pro-competitiveness measures and get their priorities right to win the battle for employment.

Yours faithfully,



Emma Marcegaglia