



Mr. Evaldas Gustas
Minister of Economy
Ministry of Economy of the Republic
of Lithuania
Gedimino ave. 38
LT-01104 Vilnius
LITHUANIA

25 November 2013

Dear Minister,

**Competitiveness Council meeting on 2-3 December 2013
Smart regulation and better governance is essential to reindustrialise Europe**

The European economy is turning a corner. BUSINESSEUROPE is expecting 1.4% growth in 2014 for the EU and 1.1% for the Euro area. But industrial production is down by 0.5% in September 2013 compared with August. This reminds us that our situation remains extremely fragile.

Re-industrializing Europe is key to enhance growth and job creation. During your meeting on 2-3 December 2013, you will adopt conclusions on industrial policy, on smart regulation and on Single Market development. These conclusions must pave the way to a meaningful industrial compact at the European Council in February 2014. Words must be put into actions if we want to increase industry's share of production to 20% by 2020, thereby creating at least 400,000 new jobs a year.

In terms of governance, we must genuinely mainstream industrial policy throughout all policy areas and at all policy levels. This must be made visible through real delivery of the better regulation agenda, to ensure a significant reduction of the administrative burdens that undermine business competitiveness.

Concrete signals must be taken to show that industrial policy governance is improving, such as:

- fulfilling the commitment to carry out competitiveness proofing on all new EU proposals;
- giving stakeholders the opportunity to address shortcomings in draft impact assessments directly to the Impact Assessment Board before the legislative proposal and the assessment is finalised.



All Commissioners must feel responsible for improving European competitiveness. The Competitiveness Council must play a much stronger role as the guardian of coherence in policy and dare to fundamentally change or stop proposals that damage industrial competitiveness.

In terms of content, the industrial compact to be adopted by the February 2014 European Council must cover five pillars:

- 1) **Open global markets.** 30 million European jobs depend on exports. We must also pursue an ambitious international trade agenda. There is one opportunity that we simply cannot afford to miss: the transatlantic trade negotiations. Improved market access through tariff elimination and regulatory cooperation could deliver over 2 million jobs and boost output by up to 1.5%.
- 2) **Get the balance right in energy and climate policy.** The energy policy framework needs to address security of supply and climate/environmental concerns in a cost-competitive manner. We need targets for competitiveness and security of supply. Industry is ready to live up to its commitments to reduce green gas emissions and we will achieve minus 21% by 2020, with the EU ETS as the cornerstone. We are also supporting a CO2 reduction target beyond 2020. But we want this target to be realistic and adaptable and Europe will have to define its ultimate level of ambition taking into account what other major economies are doing.
- 3) **Finance future industrial growth.** Improving access to corporate finance is vital for companies and economic growth. Availability of finance is still a restraining factor holding down business investment and fragmentation of the financial single market must be tackled. Further progress towards a full banking union is crucial in this respect. Furthermore, rapid agreement is needed on the new joint Commission-EIB risk sharing instrument to be co-financed by the bank and structural funds, in order to ensure that lending to SMEs can start in January 2014 as foreseen.
- 4) **Secure the supply of raw materials at competitive prices.** European industry is heavily dependent on the import of critical raw materials and energy. It is essential to reduce export restrictions on raw materials applied by some resource holding countries and to ensure that EU environmental and other legislation does not inadvertently undermine extraction within the EU or the import of raw materials into Europe.
- 5) **Enhance labour market flexibility and educate for employment.** There are today 26.6 million people unemployed in Europe and at the same time 2 million unfilled vacancies. Skills shortages must be addressed, in particular scarcity in Scientific, Engineering and Mathematics skills. Apprenticeships must be developed. Flexible forms of work are a stepping stone into employment and meet companies' needs. Labour market flexibility is crucial to boost Europe's industrial growth

BUSINESSEUROPE has commissioned an expert report and will further develop these policy recommendations ahead of the February 2014 European Council meeting.



The future European industrial compact must be backed by a vibrant Single Market, including in its digital dimension, as one of the main drivers for productivity and competitiveness. The Single Market Integration Report provides a factual overview of national transposition, implementation and enforcement of existing EU legislation. It should lead to more evidence-based policy making, legislating only when it is really necessary. The objective should be to avoid fragmentation and legal uncertainty, which requires a permanent effort of all public administration at all levels.

Wider application of the mutual recognition principle can truly boost cross-border trade, efficiency gains and competition. In services, providers still face many barriers due to the diverse application of the Services Directive. Member States should adapt or remove remaining disproportionate requirements identified by the recent peer review. Furthermore, it is crucial to take stock of the overall legal framework in order to ensure consistency and efficiency of the rules applying to services. In the goods area, product safety rules must be simplified and market surveillance strengthened. Unnecessary costs and burdens for business, such as the 'EU Safety Tested' marking to supplement or replace the current CE marking, must be avoided.

Competition policy is another foundation of the Single Market. The antitrust damages actions proposal has to be seen in this context. To avoid adverse effects on public enforcement, absolute protection against disclosure of leniency documents is needed. Otherwise, companies reporting infringements could be discouraged to do so. BUSINESSEUROPE also has strong reservations on the proposal to attribute binding nature to decisions of national competition authorities. This raises fundamental constitutional issues in many Member States. Furthermore, we lack uniform standards in national authorities' procedures.

Jobs will not be created if we put unnecessary burdens on businesses in the Single Market. Europe will not be strengthened if we penalize best export performers. There is no time to waste. We must spare no efforts and act to improve the investment climate and restore industrial competitiveness throughout Europe.

The Competitiveness Council must prepare an ambitious and concrete industrial compact rooted in a vibrant Single Market in view the European Council meeting on 13-14 February 2014.

Yours sincerely,

Markus J. Beyrer