



Mrs Catherine Day
Secretary General
European Commission
Rue de la Loi 200
1049 Brussels
Belgium

13 January 2010

EU2020 STRATEGY: RESPONSE TO COMMISSION'S CONSULTATION

Dear Mrs Day, *Dear Catherine,*

With this letter and the two attached reports, BUSINESSEUROPE is providing its response to the Commission consultation on the EU 2020 Strategy.

Exceptional measures by European and global decision-makers have successfully stabilised our economies. A tentative recovery is currently under way. But public interventions in the economy have reached their limits and Europe is lagging behind in the global upturn. To sustain growth, support job creation and restore the viability of public finances, Europe must embrace change and implement far-reaching reforms.

A common and ambitious EU growth strategy must be endorsed. EU institutions and member states must be collectively responsible for its success and be held accountable for their individual contributions.

Weak means of delivery and a lack of ownership were at the root of the problems encountered by the preceding Lisbon Strategy and should be addressed with forceful proposals.

The whole credibility of the exercise will rely on the ability to set a limited number of realistic and measurable objectives to be achieved over the next five years by the Commission, the European Parliament and the Council.

The emphasis on the internal market, knowledge, skills, a truly integrated industrial policy and better regulation will be particularly important. These are fundamental areas to turn post-crisis challenges into real opportunities for development.

What is missing in the vision set out by the Commission in its EU 2020 strategy paper is a sense of urgency and a focus on the real drivers for a sustained economic revival on our continent: companies and entrepreneurs.

The European Commission acknowledges that in the absence of forceful actions, the impact of the crisis combined with looming demographic pressures will cap the EU's growth potential at around 1% over the next decade - half of its pre-crisis levels. If allowed to happen, this will exert tremendous pressure on our social model and way of life. It also risks weakening Europe's influence in the world and its capacity to shape globalisation.

The main objective of EU decision-makers should be to achieve at least a doubling of the EU's growth potential to 2% by 2015.

In its report "*Putting Europe Back on the Track*", BUSINESSEUROPE has presented its proposals on ways of achieving this objective. The report – which is attached to the letter – conveys our detailed contribution to the Commission's consultation.

However, allow me to complement it by highlighting a few specific points:

- Single Market: its revitalisation must be put back on the centre of EU policy. The growth and jobs potential of the Single Market is not fully realised and has been challenged by the crisis. Removing barriers to free movement of people, goods, services and capital must be an overarching objective for EU and national policies. Special attention must be paid to creating a genuine single market for services, fostering the digital economy, improving enforcement and informing citizens and SMEs about the benefits of the Single Market;
- Financial and macroeconomic stability: a sustained recovery will only be possible if a sufficient level of financing is available to companies and if public indebtedness and tax burdens are kept under control. Financial market reforms and fiscal consolidation strategies must be an integral part of EU's growth strategy and be conducive to an investment-led recovery;
- Entrepreneurship and SMEs: we regret that the Commission does not emphasise sufficiently the "think small first principle" and the necessary implementation of the Small Business Act (SBA) across all layers of public administrations. Young, innovative and fast-growing companies will be at the centre of the EU's economic revival and will be a key factor in innovation and creativity;
- Research and innovation: it is necessary to develop in Europe the best education systems, research institutions in the world. It is similarly important to address the multiple interfaces between education, research, innovation, finance, infrastructure, cluster development and production. Better protection of Intellectual Property including rapid progress on the patent file must also remain a priority. BUSINESSEUROPE's detailed recommendations on EU's innovation strategy are developed in the attached report "*Innovation: building a successful future for Europe*";
- Flexicurity: EU leaders reiterated in June 2009 that flexicurity is key to modernise and foster the adaptability of labour markets. These words must be followed up by action to boost job creation, prevent long-term unemployment, invest in skills and attract more people to the labour market. This requires flexible contractual arrangements, employment-friendly social protection systems, activation measures and lifelong learning;

- Industrial policy: the necessary transition to a greener, more knowledge-based and interconnected economy will only be possible if a strong and competitive industrial basis is maintained in Europe. An ambitious EU industrial policy, along the lines defined in the May 2009 Competitiveness Council conclusions, should develop a fully integrated approach to competitiveness, energy, climate and technological challenges;
- External dimension: Europe must set the pace in international negotiations and fight all forms of protectionism. The EU's commercial interests in trade negotiations must be reprioritised. New issues, such as services and investment liberalisation, access to raw materials and energy, and the liberalisation of enabling technologies must become focal point of attention. The strategic regulatory dialogues with key partners such as the US, China and Russia must also be strengthened. Better enforcement of international trade and investment rules will help EU companies expand and will create more and better jobs in Europe.

It is vital that a more forceful system of governance is put in place to ensure effective delivery by both EU institutions and Member States.

We strongly encourage the Commission to develop ambitious proposals, which should include: clear numerical targets, new ways of fostering a true benchmarking culture at the national level, a more robust monitoring process by the Commission, an overhaul of the EU budget to promote competitiveness, a re-launch of the better regulation agenda and a more systematic impact assessment of EU legislation on growth and jobs.

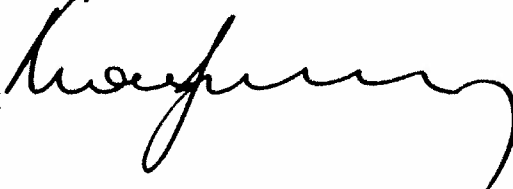
With the entry of the Lisbon Treaty into force, BUSINESSEUROPE strongly believes that a more effective system of economic governance can be put in place. This is an opportunity that EU institutions should not allow to pass by.

BUSINESSEUROPE stands ready to further contribute to the debate and will detail its proposals in the various areas covered in this letter in the coming months.

Yours sincerely,

Best regards

Philippe de Buck



Encl. 2