BUSINESSEUROPE

EUROPEAN DECISIONS ARE KEY TO RESTORING CONFIDENCE AND GROWTH

BUSINESSEUROPE and the leaders of its 41 member federations from 35 European countries urge the European Union to put an end to the political indecision which is fuelling financial market instability and undermining consumer and business confidence.

Through its members, BUSINESSEUROPE represents more than 20 million small, medium and large companies employing some 120 million people in Europe. Despite continuing economic uncertainty and financial market instability, many of these companies remain positive about long-term growth prospects. They are seeking to invest in new plant or technologies and to expand into new markets.

But the efforts of entrepreneurs across Europe risk being undermined by continuing political uncertainty. By acting early and in a co-ordinated, consistent and decisive way, policy-makers can reduce instability in financial markets and in turn, help restore business and consumer confidence.

Our request to the leaders at the European Council is straightforward.

- Firstly, and above all, **safeguarding the Euro** is an absolute must. EU leaders can make an immediate difference by committing to support efforts to recapitalise banks. There is no other option but to secure the Euro.
- Secondly, and related to this, we need to continue to **strengthen economic governance** to help drive fiscal consolidation and structural reforms in Member States.
- Thirdly, we ask government leaders to focus on taking forward a small number of **Commission proposals which can really help drive growth**.

We need to strengthen economic governance to safeguard the Euro

The agreement between the Commission, the Parliament and the Council on the six legislative proposals to improve economic governance represents an important step forward. It gives the European Commission a central role in ensuring that Member States address the underlying reasons for the current instability and improve the sustainability of their public finances. All European Union members must demonstrate their commitment to responsible fiscal policy by putting in place firm limits to government debt.

The reinforced stability and growth pact also gives a greater role to the Commission in monitoring macroeconomic balances at Member State level. This complements the important role the Commission has in providing recommendations to Member States regarding structural reform priorities. Just as the Commission must not ‘pull its punches’, the European Council must put all its weight behind Commission recommendations to support growth in Member States.

BUSINESSEUROPE fully supports the Euro group agreement made on 21 July, particularly the measures to increase the powers of the EFSF and its successor the ESM. By assuming responsibility for secondary market bond purchases, this agreement can in turn help secure the independence of the ECB. We welcome its ratification by Member States.

Given continuing financial market uncertainty, and its impact upon the economy, further action to improve economic governance, will be required to safeguard the Euro. In the short-term, we support efforts to recapitalise the financial system to both increase financial stability and help drive investment. Longer-term proposals regarding new financial instruments and improvements in economic governance need to include proper incentives for fiscal discipline.

We need EU policies focussed on enhancing long-term growth

We urge the European Council to focus EU actions on a small number of Commission proposals that can be taken forward right now to help drive growth. The Commission must meet its commitment to carry out a rigorous competitiveness check on all new EU proposals.

When frontloading stability and growth enhancing policies as suggested in the Commission roadmap of 12 October 2011, we believe that an analysis of proposals according to their impact on growth and jobs points to the following priorities.

- **Single Market Act:** Top priority must be given to full implementation of the services directive. Putting in place well-functioning Points of Single Contact is badly needed as only 8% of SMEs are providing services in another Member State. Developing e-commerce and overall implementation of the Digital Agenda, together with timely deployment of broadband networks could boost EU GDP by more than 4%. In contrast, we do not see the need for a thorough revision of EU public procurement legislation, the focus should be on the enforcement of current rules.

- **International Trade:** Concluding the WTO Doha Round remains a crucial objective but strengthening transatlantic economic cooperation and accelerating negotiations on free-trade agreements with high-growth trading partners is also essential to generate growth and jobs. European exporters will save over € 800 million in tariffs alone this year thanks to the EU-Korea free-trade agreement. Billions could be saved by concluding agreements with Canada, India, Ukraine, Mercosur and others.

- **Innovation:** Europe's industry delivers 80% of all private research and development. The upcoming "Horizon2020" framework programme for research and innovation must be mobilized to support sustainable growth in Europe. Supporting Member states in their efforts to address the skills gap in science, technology, engineering and mathematics (STEMs) to bridge the shortage of qualified ICT staff that could affect 384,000 to 700,000 jobs in the EU in 2015 is also essential.

- **Financial regulation:** We support the Commission's efforts to improve confidence in both financial markets and the wider economy through carefully designed measures to improve risk-management and financial market supervision. But the Financial Transactions Tax, where the Commission's own analysis has shown the potential damage to growth and jobs, needs to be taken off the agenda.

- **Employment:** European employment and social policy should exclusively focus on promoting flexicurity to optimise the job content of growth and reform of pension systems to ensure their sustainability. Policy should be designed to re-integrate into the labour market the 10 million of people currently in unemployment for more than six months and less than two years, and address increasing concerns around youth unemployment.

- **Energy policy:** Leveraging the € 200 billion investment needed in European energy infrastructure by 2020 through the abolishment of regulatory barriers and enhancement of financial risk-sharing facilities.

All EU policies must be focused on growth and employment!

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President

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