



Mr Herman Van Rompuy
President of the European Council
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BELGIUM

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Dear President

Spring European Council on 1 & 2 March 2012

The European business community believes that our economy has reached a cross roads. While we have pulled away a little from the acute uncertainty that undermined confidence and economic activity in the final weeks of 2011, the forecast remains one of recession for the euro area and stagnation for the EU27.

The economic policy decisions you make in 2012 will determine both the course of the immediate recovery and the longer-term underlying growth prospects of our continent.

Businesses continues to look to invest in the European economy but need the confidence that leaders are really determined to take the bold and resolute decisions at both Member State and EU level, needed to enable growth, and in particular, to reinforce the euro.

Accelerating Structural Reforms by Member States

The Spring Council is a vital opportunity to review structural reform progress in Member States during 2011 and for the Council to provide guidance on Member States' reform priorities for 2012.

Given the importance the business community attaches to structural reforms, BUSINESSEUROPE publishes an annual European Reform Barometer, drawing on both qualitative assessments of our Member Federations and quantitative indicators.

This year's report makes note of the excellent reform efforts made in the closing months of 2011 by the new Governments in Spain and Italy in particular. But the report also concludes that while Member States identified key reform challenges in their 2011 National Reform Programmes, and were supported by strong country-specific recommendations provided by the Commission, implementation of structural reforms during much of the year was disappointing.

Leaders need to build on the current reform momentum and together build public support in order to implement in 2012, structural reforms that can unleash the enormous untapped potential of Europe's many innovative firms and skilled workers.

Businesses point, above all, to the need for Member States to build confidence through the consolidation of their public sector finance positions, including through improvements in the efficiency of the public sector.

In addition, while Member States have made strong progress in strengthening the stability of the financial system in 2011, access to finance will become an increasingly pressing concern as demand for finance picks up with the recovery.

Finally, as you discussed at the informal European Council in January, there is a pressing need for Member States to undertake labour market reforms to reduce unemployment in Europe. As you identified in January, such reforms need to address the cost of labour in relation to productivity, for example by reforming labour market legislation and wage bargaining systems.

Most pressing is the need to address rising youth unemployment. At the Tripartite Social Summit on 1st March we will present concrete recommendations to improve the link between education and the labour market, including the quality and image of apprenticeships, in order to make learning which combines both school and workplace based elements more widely used in Europe.

Ambitious European measures to drive growth

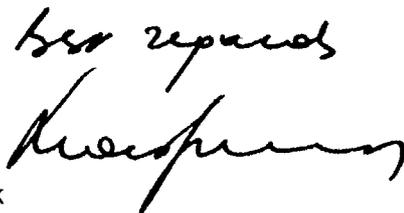
Actions at Member State level need to be accompanied by ambitious actions at EU level to drive growth. Heads of State and Government from 12 Member States helped outline such a plan in the letter they sent to you on 20th February.

The business community believes a good starting point is provided by the Commission's Annual Growth Survey which sets out the need for concrete action in 3 key areas:

- **Completing the single market for services:** Full implementation of the Services Directive can provide an annual boost of 1.5% of EU GDP. We also need to remove remaining burdensome national requirements, reduce rules on reserved activities and ensure better recognition of professional qualifications throughout Europe.
- **Full development of the digital single market** can provide a similar boost to growth as that that which came from the 1992 Single Market programme; it can potentially increase EU GDP by up to 4% in the period up to 2020. As regards e-commerce in particular, Europe should be more ambitious than the Commission's present target of doubling its volume by 2015.
- **External trade:** Ahead of the G8 and G20 meetings, leaders should agree to promote a real global growth strategy by moving forward global trade liberalisation and strengthening rules on trade in the WTO framework, fighting all forms of protectionism. Issues regarding the relationship between trade and investment, competition, energy or raw materials also need to be taken forward.

In recent months, European leaders have shown they have the courage to make the bold decisions that are needed to modernise and drive forward our economy. Strong progress in the areas I have outlined can help build confidence that leaders are determined to avoid any complacency and will strengthen their reform efforts in 2012.

Yours sincerely,



Philippe de Buck