

**5 October 2011**

**Letter to the President of the Commission José Manuel Barroso and the President of the European Council Herman Van Rompuy.**

Dear President of the European Council, dear President of the European Commission,

The European Union is facing enormous challenges. While government deficits and debts have increased significantly, overall unemployment is high and growth prospects are gloomy. The financial and sovereign debt crisis has uncovered fundamental weaknesses in economic performance within the European Union, and within the euro area in particular. We believe that what is most essential is fiscal discipline combined with nationally implemented structural reforms to make public finances sound and sustainable. This is a precondition for stable and sustainable growth.

At the same time healthy structural growth is a precondition for the sustainability of sound public finances. Therefore, a clear and credible commitment to work on an ambitious growth agenda, both at the national and at the EU level, is necessary to get Europe back on track. If we want to continue to benefit from the world's largest internal market that has been carefully constructed during the last 50 years, all Member States must be involved in the decisions to further the EU's growth and competitiveness. Those benefits would be lost in a two speed Europe.

At a national level, Member States need to vigorously implement growth enhancing structural reforms to improve the functioning of labour, services and product markets and to increase their competitiveness. Reforms that increase the adaptability of Member States' economies and create room for citizens and companies to identify and grasp the opportunities at hand. In this context the recommendations made under the Europe 2020 Strategy and the European Semester should be implemented without delay. Peer pressure must be intensified to accelerate the necessary modifications of the structures underpinning competitiveness in the Member States. To that end, the microeconomic element of the Europe 2020 strategy should be strengthened as well as multilateral surveillance.

Moreover, as the EU, it is our responsibility to deliver on the EU-growth agenda. It is now of the utmost importance that the Commission, Council and Parliament prioritise their existing working programmes towards crisis-related and growth-enhancing measures in areas of EU competence. The Commission should take a leading role in drawing up a coherent and concise programme of the most relevant existing and forthcoming proposals, together with an ambitious timeline for adoption. This programme and timeline should be endorsed by the European Council.

Strengthening EU growth and competitiveness requires high levels of ambition on open and competitive markets, innovation, access to finance, smart regulation, green and resource-efficient technologies and a strong single market. We need to remove all unnecessary obstacles that prevent our entrepreneurs expanding their business across borders. We have to use the European research and innovation potential to its full extent.

The European Council has indicated its broad agreement on the need for a positive growth agenda during its meetings this year. The seriousness of the crisis we face underlines the importance of an EU growth agenda. The October European Council is the time to make decisions and send a clear message. The attached document presents a list of concrete areas for growth where action is needed.

Yours sincerely,

Mark Rutte  
Prime Minister of the Netherlands

Fredrik Reinfeldt  
Prime Minister of Sweden

Jyrki Katainen  
Prime Minister of Finland

## Attachment

### A list of concrete areas for growth:

#### *Open markets*

Open and competitive markets are indispensable for economic growth. More focus is needed on sectors where the EU has a competitive edge and the biggest gains are to be achieved. Dismantling the EU's external barriers could deliver benefits on the scale of those generated by the single market. To create open trade we need to reduce both tariff and non-tariff barriers. One means of doing so is to conclude free trade agreements with, for instance, India, Canada, ASEAN and Mercosur. We also need to see rapid progress as regards the Information Technology Agreement and Government Procurement Agreement negotiations at the WTO.

#### *Single Market*

Open and competitive markets also mean a stronger commitment to further single market integration and the prompt implementation of the Single Market Act, especially with regard to the free movement of services, the digital single market, the rules on public procurement, the internal market for financial products and the unitary patent. There is significant untapped potential here. To name just a few areas:

- Service providers are confronted with a very high number of regulated professions (an estimated 4,700 professions) in the EU. This number should be reduced to a minimum.
- Full implementation of the Services Directive is still far from being a reality in many Member States, although the transposition deadline was December 2009. Member States and the Commission must take the necessary steps to close remaining implementation gaps regarding the Services Directive including for example the completion of the points of single contact and the removal of unjustified restrictions.
- Modernisation of the EU copyright regime for the digital age is urgently needed to unleash the economic benefits for creators and consumers and to fight piracy. We therefore need to align national legal frameworks for collective rights management, enabling pan-European licensing.
- Swift decision-making on the unitary patent and the creation of a unified patent court is essential.
- We should create smarter rules, cut red tape, and develop more flexible procedures for public procurement. We should also make pre-competitive procurement a standard feature of our RTD&I strategies.
- It is important that we rapidly implement key legislative processes in the internal market for financial products, such as the Capital Requirements Directive (CRD-IV), the Crisis Management Directive and the European Market Infrastructure Regulation (EMIR).
- We need to ensure that Europe will be best positioned to exploit the huge efficiency and growth potential of cloud computing.
- A bold initiative on electronic commerce in order to increase consumer confidence and fully exploit the growth potential of the digital single market is needed. Companies are struggling,

for example, with the different private copying levy systems in EU. Simplification of the VAT practices in this sector is also of key importance to the companies.

- A review is needed of the Public Sector Information Directive and the open data strategy to exploit the economic value of the reuse of public data.
- We should promote the rapid adoption of the standardisation package with a view to boosting the use of Information and Communication Technology.

#### *Smart regulation*

Smart regulation in general is a key vehicle in providing support for sustainable economic recovery, growth and entrepreneurship and fostering - a spin-off of more effective and efficient regulations - fostering greater compliance with policies. We need urgent action at both EU and national levels to bring down regulatory costs for business.

- For instance, further steps by the Commission through a recognisable and ambitious EU programme for administrative burden reduction after 2012, with new concrete initiatives providing tangible benefits for industry.
- The focus in the post-2012 programme should also be on other aspects of EU regulatory burdens, such as controlling all regulatory costs incurred by businesses, especially compliance costs.
- It would be beneficial to agree a number of principles of good inspection and enforcement across the EU, giving Member States more flexibility to apply new practices and tailor their inspections using risk-based approaches.
- We very much welcome EU proposals making a substantial difference on the ground for businesses and SMEs in particular, e.g. simplification of the Intrastat regulation, while safeguarding adequate data quality.

#### *Innovation*

Use the European research potential and strengthen its innovation capacity to its full extent:

- To achieve this aim, instruments need to be simplified, streamlined, and reduced in number and more opportunities should be created for businesses to become involved in EU research and innovation programmes. To ensure that the relevant new programmes currently being prepared are designed to function well together, we need coherent and simplified implementation and management procedures and rules as well as a streamlined instrument toolkit.
- And, within a tighter EU-budget, adequate resources should be made available to invest in research and innovation. One of the key issues for more innovation and entrepreneurship is access to finance. For young innovative firms and 'gazelles' in particular, the current situation in Europe is burdensome. Within the constraints of the EU budget extra attention should be given to eliminating market failures in access to capital for high-growth firms in Europe, and to promoting demand-driven innovation and increasing the return on investments, making sure that the innovations do actually reach the market.

### *Structural funds*

The Commission and Member States should direct the EU structural funds more firmly towards activities and projects that contribute to economic growth and competitiveness, for example in the area of innovation, the digital single market, cross-border operations of high growth SMEs and strategic infrastructures like next generation access. The conditionality on the use of structural funds should be strengthened.

### *Green and resource efficient technologies*

An increasing global demand for green and resource efficient technologies and services present European industry with a golden opportunity to do business and take the lead in this field, in view of its knowledge-intensive and high-tech nature. Good framework conditions are needed to support such a development. Openness and market-based solutions will encourage industry to invest in new products and services and provide incentives to even more efficient production. The European Council should welcome the Commission proposal for a low-carbon roadmap to 2050 as a good basis for further work within the Council.