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Ms Federica Guidi
Ministro dello Sviluppo Economico
Ministero dello Sviluppo Economico
Via Vittorio Veneto, 33
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1 December 2014

Dear Minister, dear Ms, Guidi,

Competitiveness Council meeting on 4-5 December 2014
Investment plan, industrial competitiveness roadmap and single market development to increase growth and employment

The EU has not yet returned to pre-crisis levels of economic output. EU investment as a share of GDP is at its lowest level in 20 years. Global competition for business investment is increasing. Our share of global foreign direct investment has fallen from over 40% in 2000 to less than 20% today. Without urgent policy changes and better implementation of structural reforms, we risk damaging the foundations of our future prosperity.

On 4-5 December 2014, the Competitiveness Council will discuss three key initiatives: the new European investment plan, the progress made in delivering the agreed EU industrial competitiveness agenda and the priorities to further develop the single market, such as better enforcement of intellectual property rights (IPRs).

Creating an attractive environment for investment

The investment plan announced by the Commission on 26 November 2014 is a first important step forward which many businesses across Europe will welcome. However, its success will depend on more ambitious steps to follow. The real challenge for the new European Commission starts now. Words must be turned into action. If we are to lay the foundations for our future competitiveness and prosperity, we need a step change in efforts to tackle the obstacles hampering private investment in Europe.

We are pleased that the key focus of the Commission's investment plan is on raising investment by the private sector. We also agree that public investment, carefully directed to support competitiveness, can also play an important role. Supported by the flexibility provided within the rules of the Stability and Growth Pact, Member States should give greater priority to productive investment within their overall expenditure plans, while ensuring the sustainability of public finances.

In the EU budget too, greater emphasis should be put on investment, with more efficient use of EU funds, including structural funds. We support the expansion of the EIB's use of risk bearing instruments that are designed to complement existing market provision, as set out in the Commission's investment plan. In particular, we need to invest in key transport, energy and broadband projects with a cross-EU dimension that can enhance the single market as well as R&D and innovation, skills and ICT.

In the enclosed document, BUSINESSEUROPE has identified barriers that need to be addressed if we are to improve long-term investment:

- Economic, political and regulatory uncertainty undermines investment. Companies need a clear commitment from governments to structural reforms, stable public finances, better regulation and a predictable regulatory environment which supports long-term decision-making.

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- The cost of doing business in Europe is too high. High energy prices, uncompetitive tax regimes, and high labour costs must urgently be addressed.

- Access to finance remains a concern. Bank lending must be supported through balanced regulation. Non-bank financing sources must be expanded. Greater use should be made of EU and EIB funds to leverage private-sector lending, taking into consideration the specificity of SMEs.

- Unnecessary Single Market access constraints create bottlenecks to growth and employment. Barriers discouraging companies to work cross-border in our single market must be addressed as part of our strategy to strengthen it.

- Market access outside the EU must be improved if we want to be successful in the global economy. Concluding ambitious trade agreements, in particular with the United-States to boost transatlantic trade and investment, is essential for European growth and employment.

- Risk aversion must be addressed. To support innovation and entrepreneurship, we need an innovation principle and a balanced approach to the precautionary principle. EU rules tend to focus on minimising risks to the maximum and funds for innovative projects do not allow for much risk-taking.

Progressing on the industrial competitiveness roadmap

Encouraging industrial investment will require special attention and the conclusions of the EU Council meeting on 20-21 March 2014 asked the Commission to prepare a roadmap with concrete measures to improve industrial competitiveness. The new investment plan is certainly part of the answer. However, a coherent industrial competitiveness roadmap still remains necessary.

When preparing this roadmap, the central role of industrial frontrunners, which are particularly innovative companies integrated in value chains, needs to be taken into account, as these companies interact closely with SME as well as larger enterprises and generate above-average effects for innovation, added-value and employment.

During your meeting, you will hold a new policy debate on industrial competitiveness. In particular, the governance system must be improved to achieve competitiveness mainstreaming across all EU policy areas in an ambitious, effective and pragmatic way. During its last meeting, the Competitiveness Council has taken important decisions which now need to be put in action.

It is of utmost importance that the Competitiveness Council starts to examine all relevant proposals that have substantial effect on industrial competitiveness. For example, the EU needs to approach the circular economy model more from an economic rather than from a purely environmental perspective. This important initiative, including several pieces of legislation, should be redrafted. The circular economy dossier should take account issues of wider economic interest (including manufacturing and product design, research & innovation, security of supply and raw materials, market functioning, etc.). Other issues, such as better enforcement and fight against intellectual property rights (IPRs) infringements should also be closely followed by the Competitiveness Council. While working on the above mentioned issues, regular consultations with stakeholders are part of the answer to deliver efficient actions.

BUSINESSEUROPE also firmly believes that the High Level Group on Growth and Competitiveness should play a stronger role in the preparation of the Competitiveness Council meetings. To achieve an optimum support, a permanent elected chairmanship has to be established.

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You will also hear a report by the SME Envoys. The Small Business Act (SBA) has delivered valuable initial results for supporting SME growth, but it needs to be updated to better respond to the key challenges facing SMEs. The Competitiveness Council should call on the Commission to present a proposal for a revised and strengthened SBA in 2015.

In the conclusions you will adopt on better regulation. BUSINESSEUROPE urges the Council to call on the Commission to present a yearly report on impact assessments, including a list of all impact assessments and competitiveness checks. Based on this, the Council should have a real debate about the impact of EU legislation on European competitiveness.

The EU must enhance the single market in all its dimensions

Europe will only be able to increase investment if we improve the attractiveness of the European Union as a business location. A well-functioning single market is crucial for this. BUSINESSEUROPE therefore calls on Member States and EU institutions to remove remaining barriers in the Single Market.

This often does not require more legislation but rather better application of existing rules. More consistent reporting and precise benchmarking of national implementation measures are key in this respect. The EU must increase convergence of different EU policy areas towards strengthening the single market. In addition, in areas where full harmonisation is not desirable or feasible, mutual recognition can also improve the functioning of the single market. This principle should be respected and more widely applied in all areas.

Particularly in the area of services, many barriers remain due to the diverse interpretation and application of the 2006 Services Directive. In addition, obstacles still exist outside the remit of the Services Directive, such as diverse national service standards, lack of recognition of professional qualifications, the high number of regulated professions, heavy insurance obligations, strains on company mobility, barriers to online service provision (e-commerce), etc. Better implementation and stronger enforcement of the Services Directive alone can bring additional gains up to 1.8% of EU GDP. Member States must ensure this and the Commission must stick to its "zero tolerance policy" by launching infringement procedures in cases of non-compliance.

Moreover, the Commission must identify and address remaining obstacles to the free movement of services using a targeted, sector-based approach, starting with the sectors with the greatest economic significance, such as business and professional services, construction, tourism and retail. As requested by the Competitiveness Council in December 2013, BUSINESSEUROPE expects the European Commission not only to come with a comprehensive report on remaining obstacles to a true single market for services by mid-2015, but also to come with a clear and ambitious action plan to address the barriers that companies still experience.

The EU investment plan, the future industrial competitiveness roadmap and the actions to further develop the single market must reinforce each other if we want to increase growth and employment. We count on the Competitiveness Council to push for real implementation of the announced measures in this area and to encourage synergies between these policy instruments.

Yours sincerely,

Emma Marcegaglia
President

Markus J. Beyrer
Director General