



**Mr Donald Tusk**  
President of the European Council  
European Council  
175 rue de la Loi  
BE – 1048 Brussels  
BELGIUM

27 February 2017

Dear President,

**Message to the European Council meeting on 9-10 March 2017**  
**Use the economic window of opportunity to make necessary reforms**

Europeans are faced with unprecedented challenges: in the international environment, in upcoming Brexit negotiations, regarding employment, security, migration, etc.

Member states acting alone will not be able to effectively respond to these challenges. They must stay united because when they are working together, the EU and its member states have the means to provide better answers to companies and citizens' concerns and have more weight on the global stage.

The European economic recovery is expected to continue in 2017 and 2018. However, while the outlook is improving, growth continues to be supported by exceptional factors, including strong support from the ECB and a euro/dollar exchange rate that remains low by historic standards.

Only with strong foundations and a resilient economy will the European Union and its member states be in a position to provide the appropriate answers to citizens' concerns about the future, and help ensure the EU economy can continue to grow despite growing global political uncertainty.

The European Council must therefore ensure that this economic window of opportunity is fully used to make the reforms that will both strengthen our long-term growth capacity and economic resilience.

**NATIONAL REFORMS TO BOOST GROWTH AND EMPLOYMENT**

With investment growing only moderately and the share of investment in GDP still below pre-crisis level despite low interest rates, it is more important than ever to move forward the structural reform agenda to encourage productive investment, both from EU based firms and from overseas, and pave the way to higher growth and more employment in Europe.

BusinessEurope's Reform Barometer 2017 shows that the pace of structural reforms in Europe is not increasing, on the contrary. Only 17% of the country-specific recommendations have been satisfactorily implemented according to our members. When we are taking into account the recommendations where some progress was made but not enough, the figure increases to 63%, still leaving 37% of country specific recommendations poorly implemented or not implemented at all.

Even though there have been improvements, high unemployment continues to affect many European countries. Labour market reforms therefore remain a priority. Labour mobility has to be facilitated

and the high tax burden on labour has to be urgently addressed and structural reforms in the labour market should be firmly pursued.

Public finances also deserve particular attention. A combination of low growth, an ageing population and the associated rising pension and health care costs together with the need for governments to bring down high debt are likely to increase pressure on public finances.

With an average of only 30% of public expenditure in EU falling into areas generally considered growth friendly, compared to 44% in the US, and with no EU country coming close to the US proportion, all member states would benefit from reviewing the composition of their public expenditure.

At the same time, it is essential that the Stability and Growth Pact (SGP) gives the full support possible to governments who wish to re-orientate their budgets towards investment and growth-supporting expenditure, as well as to those who are implementing long needed structural reforms. In this respect, there should be full consistency between the short-term costs of structural reforms, the time needed to reap their benefits and the application of the flexibility foreseen by SGP rules.

#### **SUPPORTED BY PRO COMPETITIVENESS EU POLICIES**

BusinessEurope counts on the EU Council to ensure that real progress is made in

- further integrating the Single Market by removing remaining obstacles to free movement and cross-border business, and developing a true and effective digital economy in Europe.
- delivering the Capital Markets Union to improve access to finance for companies by putting in place a genuine single market for financial services and developing complementary sources of finance while at the same time revitalising banking lending to companies.
- deepening the integration of the internal market for energy to cope with the on-going revolution in the way we consume and produce energy.

We fully support the EU Council's calls to evaluate the impact of mainstreaming industrial policy into the EU strategic initiatives and to consider concrete action to strengthen and modernise the industrial base of the Single Market. The EU ETS reform is an important test in this respect. Europe's leaders only have one chance to make this reform a success by ensuring that the reformed system combines the need for a meaningful carbon price with the need to strengthen the global competitiveness of Europe's industries to prevent investments from flowing out of Europe. This will not happen without a 5 percentage points shift from auctions to free allowances.

#### **AND A CLEAR GLOBAL STRATEGY TO FIGHT PROTECTIONISM AND PROMOTE EU GROWTH AND JOBS**

90% of global economic growth in the next 10-15 years is expected to be generated outside Europe. Concluding ambitious trade agreements with strategic partner countries is therefore essential for the prosperity of European companies and European citizens.

In today's world, European countries taken separately have little weight. But together, they can make a difference. With protectionist trends growing stronger by the day, the vote in favour of the EU-Canada agreement has sent a clear signal that the EU is open to balanced trade agreements with partners willing to share its values and vision about global trade.

In addition to ensuring swift implementation of this important agreement, the EU Council should:

- set the basis for the pursuit of a mutually beneficial partnership with the US,
- facilitate swift conclusion of the negotiations with Japan by putting on the table an EU proposal on data flows and tackling all the pending issues on which Japan still needs to deliver, namely market access, public procurement and non-tariff barriers,
- make further progress in the development of effective trade defence instruments,
- fully engage with China in the context of the ongoing bilateral negotiations on investment,
- pursue trade negotiations with major trading partners like MERCOSUR.

BusinessEurope urges the EU leaders to use the present economic window of opportunity to take courageous steps to strengthen Europe's capacity to face the many challenges lying ahead.

Yours sincerely,



Emma Marcegaglia