BUSINESSEUROPE

THE PRESIDENT

Mr Herman Van Rompuy
President
European Council
Rue de la Loi 175
B-1048 Brussels
BELGIUM

7 March 2014

Dear President,

Europe is walking, the rest of the world is running

While the EU has been engaged in crisis management, and is still to see its economy return to its pre-crisis size, other economies across the globe have been much faster in improving their competitiveness, growth and employment record.

Europe is losing ground because of excessive taxation and regulation, constrained access to finances, too high energy prices, insufficient innovation, inadequate education and training and persistent labour markets rigidities.

There is no time to waste. The European Council must endorse the goal of increasing the contribution of industry to 20% of the EU GDP by 2020 and the European Union must urgently adopt an industrial compact putting in place a comprehensive and coherent strategy to improve industrial competitiveness and better integrate EU companies in international value chains.

This requires a new European industrial governance articulated around three concrete measures:

- Heads of State or Government must give a clear sense of direction, with deliverable priorities, and ensure that the state of play for European industry and the progress made in pro-competitiveness reforms are monitored and evaluated every year at the Spring European Council (as we do for growth and employment enhancing reforms);
- A permanent Industrial Competitiveness Coordination Group must be established in the Commission to ensure that industrial competitiveness is systematically taken into account when deciding on Commission proposals and that transparent competitiveness proofing becomes an integral part of ex-ante impact assessment;
- The Competitiveness Council must become a much more active guardian of European competitiveness and be supported by the EU Council when it speaks up on policy proposals undermining our industrial competitiveness.

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Because European energy prices have risen to unprecedented levels, Europe could lose one third of its global exports of energy intensive goods by 2035.

The 2030 energy and climate package proposed by the European Commission includes some openings to ensure that competitiveness, security of supply and climate objectives are better balanced than in the past. However, it does not sufficiently tackle the challenge of safeguarding the international competitiveness of European businesses.

BUSINESSEUROPE calls on the Spring European Council to

- support a single greenhouse gas emissions reduction target post-2020,
- establish a clear conditionality between the 40% GHG emission reduction and the completion of an international climate agreement in 2015,
- require a reform of the EU Emissions Trading System post-2020 with an improved carbon leakage support to avoid investment leakage, and
- ensure the right balance in the Energy and Environment State Aids Guidelines.

All EU institutions and all decision-making levels must be mobilised to deliver competitiveness enhancing measures. The reform objectives set out in the EU country specific recommendations focus on the right issues but they are poorly implemented.

BUSINESSEUROPE's 2014 reform barometer shows that only 24% of the 121 recommendations made have been followed by satisfactory implementation according to our member federations. Member States must implement ambitious and realistic National reform programs implemented as part of the European semester.

Further details on what European companies expect from the European Council meeting on 20-21 March are set out in the statement at annex.

Europe is walking when the rest of the world is running. Europe is talking about industrial competitiveness but increasing energy prices and other costs while our competitors gain market shares. Determined action must be taken now if we want to regain the ground lost. This is crucial for the 52 million people working in industry related jobs across Europe.

Yours faithfully,

Emma Marcegaglia

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