



Presidents Van Rompuy and Barroso
Heads of States and Governments

22 May 2012

Dear President Van Rompuy,

Tomorrow evening you will host an informal dinner with EU leaders on growth.

The European Union, particularly the Euro Zone, is at a crossroads. The European Council urgently needs to demonstrate to businesses, investors and citizens across our continent and beyond that it has a coherent and credible plan to resolve the present crisis and put Europe back on the path towards long-term sustainable growth.

A vibrant and confident private sector is fundamental to such long-term growth and job creation. Businesses continue to develop plans for European investment and expansion, but need the confidence and certainty that leaders are ready to make the bold decisions necessary to create a stable climate for growth.

We believe your discussions need to be built around meeting 5 key objectives.

1. Reinforcing the Euro

The establishment of the common currency is a key achievement of the European Union. By eliminating exchange rate risk and increasing price transparency it has increased trade, competition and investment between our economies.

No plan for growth will have real force until the present uncertainties around the Euro are resolved. As we have consistently underlined, we need to use all possible means to safeguard the euro.

2. Consolidation of public finances and structural reforms

In recent months, fiscal consolidation and growth have increasingly been presented as alternative choices. Leaders need to explain clearly that *fiscal consolidation is not the alternative, but the foundation for long-term growth*, in combination with key structural reforms. Only when businesses and households are sure that governments have put their spending on a sustainable footing, will they, in turn, have the confidence to invest, hire workers and increase consumption.



In terms of structural reforms, Member States are facing different challenges. Particularly in those economies facing an unemployment crisis, there is a need to press ahead with the reforms to labour market legislation and wage bargaining systems to increase competitiveness and allow labour costs to reflect productivity levels. In other member states, there is an urgent need to liberalise product markets in order to support growth and employment creation.

Strong and focused country-specific recommendations from the European Council can support Member States in addressing these challenges.

3. An investment policy for Europe

Governments can support investment by providing the stable economy and policy environment needed to build private sector trust and confidence. But Europe also needs a more robust investment and competitiveness agenda to reduce legal obstacles, address the lack of capital market instruments for risk investment and unleash private investment. The Financial Transactions Tax, which threatens to raise the cost of capital, has no place in such an agenda.

Public expenditure in Member States needs to focus on supporting investment in growth-enhancing areas such as skills, technology and infrastructure and should be complemented by an EU budget with a much greater investment focus, particularly regarding trans-European energy, transport and ICT networks and R&D.

We support the European Investment Bank's model of using a moderate amount of public investment to leverage private sector investment. We hope leaders will commit to increasing EIB capital by the estimated €10 billion required to facilitate new lending and attract private sector funding, in order to finance an estimated €180 billion of new investment. In addition, uncommitted structural funds which amount to €82 billion in the current period should be invested in projects that can be effective in strengthening competitiveness..

4. Unleashing the single market

The Single market adds €600 billion a year to our economy, and since 1992 has helped create almost 3 million new jobs in Europe. But we are far from unleashing the full growth potential of the single market. By completing the single market in areas such as services, the digital economy and energy, while reducing the administrative burden for companies through smarter regulation, we can add an estimated €800 billion to EU GDP. In addition, single market rules need to be better transposed and enforced in Member States.



5. Expanding EU external trade

With demand in Europe likely to be constrained in the coming months, it is more important than ever that Europe builds a strong presence in expanding global markets, including by engaging in closer bilateral trade relationships with key trade partners. For example, EU-US trade negotiations, based on a comprehensive package covering trade in goods and services, investment, procurement, protection of intellectual property rights (IPR) and regulatory issues, will generate huge growth possibilities.

A clear and immediate commitment from leaders in each of these areas would be an important stepping stone ahead of a comprehensive growth plan being agreed at the June European Council. I will write to you ahead of that summit with further concrete ideas from business to increase European growth.

Yours sincerely,

Jürgen R. Thumann