Herman Van Rompuy
President of the European Council

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President of the European Commission

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GETTING EUROPE GROWING

The world is emerging from one of the greatest economic shocks of modern history. In countries the world over, citizens and businesses continue to feel the consequences of the deepest global recession since the 1930s. In Europe, the pain has been particularly acute. Across the EU as a whole, four years of annual growth have been wiped out. Unemployment has risen to double digits. And with one in five young persons unable to find a job – more than 5 million people in total – we risk a lost generation of European workers.

We ignore these risks at our peril. For while reform is underway, recovery has begun, and some countries have experienced a robust return to growth, the European economy as a whole faces major challenges from other developed regions. Last year, while world growth reached pre-crisis levels, EU average growth was little more than half its pre-crisis rate. According to the IMF, the EU overall is expected to grow more slowly than most other advanced economies and all of our major competitors over the next five years. Tellingly, the excellent Annual Growth Survey of European Commission puts Europe's growth potential at just 1.5 per cent a year over the next decade, and just 1.25 per cent in the Euro-zone. Events in financial markets underscore the urgency of our growth and competitiveness challenge.

Europe has many economic assets – a skilled and able workforce; the world's largest consumer market; an open, trading culture; a proud record of invention. But at this critical point in our history we face major economic challenges. Despite the efforts we have made, without stronger ambition and fundamental reform – to unleash enterprise, open markets and promote innovation, including in green technologies – we face a future of low productivity, high unemployment, lost investment and relative economic decline.

Each of us believes firmly that we can achieve strong and dynamic growth in Europe – that with common purpose and resolve we can overhaul our outdated growth model and tear down the barriers to future prosperity. We have recognised in the Europe 2020 strategy that there is much the Member States can do to stimulate long-term growth. It is essential that all of us rise to the challenge with ambitious and far-reaching national programmes of reform.

We have recognised too that growth will not come for as long as national finances remain in a perilous state. Putting public finances on a sustainable footing and promoting growth are not alternatives. We cannot delay the first to achieve the second – without fiscal discipline we will not lay the foundations for strong and sustainable growth in the future. And so tough decisions are needed – to cut back on waste, spend more wisely, and reduce our debts while investing in growth. We need swiftly to reach agreement on a stronger Stability and Growth Pact. Above all, we must stick to the course that we have set, recognising that growth will be supported, not in spite of these decisions, but because of them.

So the actions we are taking at home are essential to the EU's prospects for growth. It is to our collective benefit that they should succeed. But it is vital too that we make full use of the instruments of the European Union to achieve competitiveness and growth. We need an EU budget which addresses the challenges of tomorrow. And at our meeting in Brussels later this month we must begin to set a new direction for Europe and agree to take action on four key priorities.

First, we must deliver the full and untapped potential of the Single Market. The Single Market is Europe's greatest economic achievement – the core foundation of the world's largest economy encompassing 500 million consumers and €12 trillion of economic activity. But it is far from finished business.

Services now account for almost four fifths of our economy and yet there is much to be done to open up services markets on the scale that is needed. While significant efforts have been made to put in place the provisions of the Services Directive, many sectors still remain closed off by opaque, disproportionate and disparate regulation. Restrictive practices are rife. And implementation overall falls far short of what is needed to open up markets fairly to competition. So we must do for services markets what we have done for markets in goods – removing the restrictions that hinder access and competition, reducing the number of regulated professions, and making a firm commitment to implementation and enforcement, building on and extending the mutual evaluation process and publishing scorecards of national performance. Succeed and we could add €140 billion to the European economy. We welcome the commitment given by the Commission in its Annual Growth Survey to take action in this area and invite the Commission to report at the earliest opportunity on the steps needed to realise these gains.

And because growth in the future will depend more and more on the effective exploitation of information technology, we must also build a truly digital Single Market. The digital economy is expanding rapidly but cross-border online trade remains stubbornly low. So we must act to provide businesses and consumers with the means and the confidence to trade on-line, including by overhauling the current arrangements for e-commerce, building an efficient cross-border framework for copyright and establishing clear and transparent consumer rights. We ask the Commission to table rapidly bold and ambitious proposals to achieve these aims so that a fully functioning digital Single Market is in place by 2015.

Finally, we must also complete the internal energy market, put in place smart, upgraded and fully interconnected transport and energy infrastructure, and strengthen our efforts to develop common EU standards and labelling requirements for energy and environmental products.

As we build a genuine Single Market in Europe, our second priority must be to open up and connect European and global markets. There is no greater prize in world trade than the conclusion of the Doha round. We must all now recognise that 2011 is the make or break year for Doha and the EU must do all it can to facilitate a deal. We urge all of the main negotiating countries to intensify their efforts in order to finalise the round.

But there is much more we can do at the same time. Last year the EU signed a Free Trade Agreement with South Korea, worth more than €30 billion to European exporters. We must now show the same level of commitment and ambition to conclude deals with India, Canada, Japan, Mercosur and the ASEAN nations. We believe that these deals can and should be completed by the end of the current Commission term and we call on the Commission and the European Council to take all steps necessary to ensure that this happens. Closer to home, deeper economic integration and wider market access between the EU and countries in the Eastern Partnership and the Southern Mediterranean would not only benefit the EU, but would support and encourage sustainable economic and political development within those countries too. We urge that progress should be made on the basis of a differentiated and incentive-based approach.

The third priority is a new drive to support business and unleash enterprise. We need to make it easier for businesses to start up, develop and prosper. And we need to start by recognising a simple fact – our economies cannot and will not be competitive if we continue to load ever greater regulatory costs onto the shoulders of business.

What is needed is a change of mindset and of culture – a new approach to regulation, which builds on but extends significantly what we have achieved with the support of the Commission to date. So we should set a target to reduce the overall burden of EU regulation over the life of this Commission, building on the steps we have taken to reduce administrative costs. We should seek to ensure that new burdens on business are offset by savings elsewhere. We should give small businesses exemptions from regulatory burdens when they face disproportionate costs of compliance. And we must demand that all impact assessments are clear on the implications for growth and competitiveness. We should also improve the efficiency of EU budget programmes. We ask that all institutions unite in helping to deliver these steps and invite the Commission to present proposals by the summer for putting them into practice.

Our fourth priority is innovation. A strong and competitive European economy must be built on creativity, new ways of working and the ability to capitalise on new market opportunities, such as those in low emission technology. A well functioning internal market is a prerequisite for innovation, but there is more we must do. We must take full advantage of Europe's intellectual capital to drive innovative activity. And we must increase access to finance as we seek to create a larger, more fully integrated European venture capital market capable of supporting greater investment in new and innovative products. To be truly successful, however, we must also break the deadlock on an EU patent to ensure that firms have access to affordable, continent-wide intellectual property protection in a system free of all unnecessary legal complexity. We look forward to receiving a proposal from the Commission and hope that a new system can be agreed by the end of the year.

To conclude, Europe stands at a junction. Before us lie two very different paths – a path of least resistance, built on the policies of the past and reinforcing economic decline; and a new direction for Europe, based on the priorities described here, and leading to stronger growth and prosperity. We welcome the action already taken in these areas and the commitment of the Commission to drive progress, and urge you and the European Council to endorse these priorities. We support the forthcoming Polish and Danish Presidencies in enforcing this growth agenda for the benefit of the whole of Europe.

We are copying this letter to colleagues on the European Council and to the President of the European Parliament.

David Cameron, Prime Minister of the United Kingdom

Mark Rutte, Prime Minister of the Netherlands

Fredrik Reinfeldt, Prime Minister of Sweden

Lars Løkke Rasmussen, Prime Minister of Denmark

Mari Kiviniemi, Prime Minister of Finland

Andrus Ansip, Prime Minister of Estonia

Donald Tusk, Prime Minister of Poland

Dalia Grybauskaitė, President of Lithuania

Valdis Dombrovskis, Prime Minister of Latvia