

26/01/2023

Mr. Valdis Dombrovskis
Executive Vice-President and
Commissioner for Trade
European Commission

Dear Valdis,

We are writing to you to express our concerns relating to the debate regarding the EU response to the United States' Inflation Reduction Act (IRA) as well as the increasingly difficult competitive environment globally, largely driven by the Russia's war of aggression against Ukraine and the increasing geopolitical tensions. We are facing these challenges as the EU celebrates the 30th anniversary of the single market – our shared achievement and ongoing project that is worth defending in the changing geo-economic landscape.

A number of instruments and measures are being discussed as a way to reduce the impact of the deteriorating competitive environment and IRA on the EU investments. It is crucial that the EU response is based on a careful analysis of the situation. Member states have already provided views on the Commission consultation on the state aid framework in their letters to Commissioner Vestager. As ECOFIN Ministers, we want to weigh in to this discussion with the emphasis on the goals of further ensuring effective competition in the internal market as well as avoiding negative effects on trade.

First of all, we should be ambitious in increasing the attractiveness of the EU for private investments. The investment bottlenecks for the green and digital transitions need to be removed. The Commission should carefully analyse the EU investment environment. Overregulation, slow permitting procedures and disproportional red tape reduce the attractiveness of the EU. We need to ensure access to labour and skilled workforce. The key to securing EU competitiveness is a fully functioning single market, especially the free movement of capital and labour.

EU's competitiveness and better investment environment rests on ensuring strong, adaptable economies and sound public finances that can foster private investment and innovation. It cannot be built on permanent or excessive non-targeted subsidies. This endangers level playing field of the internal market as well as fiscal sustainability and risk leading to harmful subsidy competition that is non-sustainable for individual Member States and are detrimental to the EU as whole. Support to companies where market failures are not evident risks leading to inefficiencies, reduced competition and, hence, worsened consumers' choice, and distracts the allocation of both capital and employment and increases prices in the long run. Furthermore, from the consumer point of view subsidies are too often inefficient and likely to increase costs even if state aid could be needed in specific and exceptional situations such as the pandemic.

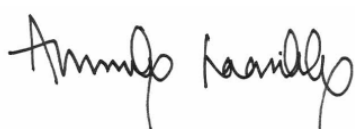
Second, we need to act decisively to bring down the high inflation. With existing supply constraints and strong labour market, we have to ensure that the economy can better absorb the already agreed EU funding for investments through NGEU and REPowerEU as well as the various existing investment programs. So far, only around 100 billion euros of the total of 390 billion euros of the RRF grants have been used. Further, there is still an unused loan capacity available in the RRF. Any additional measures should be based on a thorough analysis by the Commission of the remaining financing gap, and no new funding should be introduced. The deepening of the CMU, aiming at more efficient capital markets while ensuring sufficient level of investor protection is key for accessing private sources of funding. Also, the EIB has an important role in crowding-in private investments, and already highly ambitious plans for the near future.

Third, we firmly believe in the EU's ability to find solutions to the issues posed by IRA by continuing the discussions with the United States. We should avoid unnecessary trade tensions with the United States, especially in the current situation. The United States is and remains an exceptionally important partner for the EU. Deepening the EU's trade and investment relations with the United States is a priority for us. We should pursue that via the Trade and Technology Council and its various working groups.

Finally, while the security of critical supplies is important for the internal market in these uncertain times, it has to be ensured without increasing unnecessary barriers to trade. The most important strategic interests will have to be prioritised at the EU level with clear and transparent criteria for any political response.

We stand ready to continue constructive discussions on this important issue.

Yours sincerely,



Annika Saarikko
Minister of Finance
Finland



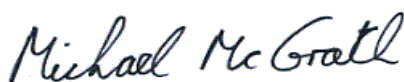
Zbyněk Stanjura
Minister of Finance
The Czech Republic



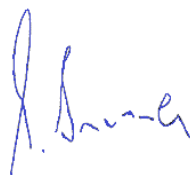
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