

José Manuel Barroso
President of the European Commission

Brussels, 27 February 2012

Dear Colleagues,

Thank you for your letter addressed to President Van Rompuy and me in preparation for the Spring European Council on 1-2 March. It is a very timely contribution to the debate on how we can get Europe growing and creating jobs. As you know, throughout the crisis, the European Commission has been working side by side with Member States in the European Council, the Council and individually, as well as with the European Parliament, to do everything possible to ensure that the EU emerges stronger than ever from our current difficulties. From the European Economic Recovery Programme to the Europe 2020 strategy, the deepening of our system of economic governance, the overhaul of our financial regulatory system and adapting our Structural Funds to increase co-financing levels and introduce crisis response measures such as support for working capital, we have spared no effort to ensure that the EU and national levels work in harmony to deliver a bigger and better response than any single Member State can do alone. The effort that has been mobilised by all of us is a very real expression of EU solidarity and I thank you for your continuing support. Now it's time to be concrete. Now it's time to decide on the concrete proposals the Commission has put on the table.

Together, we are acting decisively to restore stability, strengthen public finances and to show solidarity with those Member States that are currently facing serious difficulty. This is absolutely essential – but it is not enough. We need to do more to create the conditions for our longer term prosperity, to trigger a virtuous circle of reform, stability and sustainable growth. We all agree on the importance of taking the right decisions for our future growth and competitiveness. The true test we now face is whether we can translate these good intentions into results on the ground.

We have agreed on an ambitious and comprehensive growth and jobs strategy: **Europe 2020**. Our common ownership of it needs to be more visible to our citizens. They need to know that the EU has a clear strategy for building a better future and that all Member States are working in the same direction. There should be no artificial separation between EU and national growth policies, they reinforce each other. The crisis is having a severe social impact in some Member States and is causing anxiety right across the EU. As well as taking active measures to boost employment and to help the most vulnerable, we need to provide a sense of direction and hope. Otherwise we will not be able to count on the social acceptability of the important measures that need to be taken.

Europe 2020 is a crucial strategy that needs to be implemented now so that we achieve our common goals by 2020. One way to implement Europe 2020 is through the work we do together in the European Semester. This means we need to carry out ambitious structural

reform at national level in line with the priorities the Commission has set out in our 2012 Annual Growth Survey. I look forward to discussing them with you in the European Council later this week and to our collective endorsement of these key priorities for action. On that basis the Commission will be ready to make very clear, country specific recommendations where we think that more must be done.

I am encouraged that your letter reaffirms many of the priorities we agreed in our Europe 2020 strategy. In all of these areas, the Commission has already set out a clear vision and has made concrete proposals, some of which are yet to be adopted by the co-legislators. We will continue to give priority to the measures that we think have the greatest potential to drive growth and job creation. I have asked the Council and European Parliament to fast-track these and I am delighted that the European Council has endorsed this approach. I count on your full support in bringing the negotiations on these proposals to a swift conclusion, including in areas where you may need to adjust your national positions to enable us collectively to reap the growth dividend.

Your letter takes up eight clear priorities to strengthen growth. In the attached annex I set out more detailed comments on each of these eight areas as a contribution to focusing our debate in the European Council. More generally I would make the following comments.

We all know that the **Single Market** is a huge source of growth and jobs for Europe and that we have not yet tapped its full potential. Just implementing fully what we have already decided would bring new opportunities for businesses, both big and small. That is why the Commission will be reporting on the quality of implementation of the Services Directive, on sectoral performance checks and will soon make recommendations on implementation and enforcement. Almost all of the Single Market Act proposals are now on the table of the Council and Parliament and you have supported our wish to get them agreed by the end of this year. In the second half of this year the Commission will propose a new round of measures designed to open up new growth areas of our Single Market.

Similarly, we must step up our efforts to continue to complete our **digital single market by 2015**, including through swift agreement on our proposals on dispute resolution and rapid consideration of our forthcoming proposals on copyright. The stakes are very high: we have just published a study showing that a truly digital single market could boost EU GDP by as much as €110 billion a year.

I agree that we must deliver on our commitment to establish a genuine **internal market in energy** by 2014. All Member States need to implement the third energy package as we have agreed. A good signal to markets would be for all Member States to transpose and implement our legislation rapidly – the Commission is still obliged to take infringement proceedings because of Member States' failure to comply with agreed legislation in this important area. In particular, the adoption of the Commission's proposal for an Energy Efficiency Directive should be given priority in view of its growth enhancing potential as well as its energy and climate benefits.

Research and innovation hold the key to Europe's future competitiveness. This is another area where acting now will pay rich dividends in the future. We have tabled important proposals to help SMEs to access finance and to support innovative companies, for example through a European venture capital regime. And I need not repeat how important a swift agreement on a European patent is - after a thirty year wait, it is time to deliver.

*It is clear that we will not fulfil our potential if we only look inwards. President Van Rompuy and I were recently in India and China where we discussed the huge benefits to growth and jobs of open markets and **international trade**. We are investing heavily in our negotiations with India, Canada and Singapore to name but a few and talks on how to deepen our economic relations are under way with many other countries and regions, including the US. We know that some of our partners still have to overcome internal obstacles before we can conclude but there are domestic political issues to be tackled on our side too if we want to seize the growth opportunities offered through new trade agreements. We need to discuss them openly and to find a consensus between all Member States. I have already suggested to President Van Rompuy that we devote a future working session of the European Council to these issues.*

*I welcome your support for the work the Commission is doing to get the regulatory environment right – nobody wants to see the innovative potential of small businesses being smothered by red tape. This is why the principles of smart regulation are at the heart of everything we do. We will only include micro-enterprises within the scope of our proposals if there is a compelling case for doing so. We have already tabled measures that would reduce **administrative burden** by up to €40 billion. They have not all been adopted to date.*

*We need a stable and secure financial system but more than that, we need a financial system that performs its basic function: support for the real economy. The comprehensive overhaul of **financial regulation and supervision** that we have undertaken is designed to deliver on all of these objectives. We have moved quickly and decisively to implement the agreements reached at the G20 and in Basel in full and will make several important proposals in the coming months.*

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This is already a full and ambitious agenda for growth. But I believe we can and must go further. A well functioning Single Market needs modern infrastructure to get goods and services to market and to ensure that consumers have real, price competitive choice of high quality goods and services. We need well-targeted investment in infrastructure to fill the missing links in our Single Market. We need to agree on ways to bring down the cost of broadband roll-out and to accelerate investment in key infrastructures. This is exactly the kind of spending that we should be prioritising as it will lay the foundations for future growth and employment.

*Of course, the bulk of financing for our infrastructure investment must come from the private sector, particularly now when public budgets are constrained. The Commission's proposal for **project bonds** is a smart way of using public money to attract private investment to key strategic energy, digital and transport projects. This approach has large scale potential in the future – to show that it works we have proposed a pilot project bond initiative to be launched in 2012/2013. Working together with the EIB, the Commission proposes to commit €230 million from the existing EU budget which could support investments worth up to €3.5 billion. I count on your support to get our legislative proposal agreed under the Danish Presidency.*

*Tackling **youth unemployment** and creating the conditions for **SMEs to thrive** is also a top priority and we had a very productive discussion at our meeting on January. I explained how the EU budget could be mobilised to help get young people back into work and to support*

SMEs - the action teams I proposed have visited the eight Member States with the highest levels of youth unemployment and are looking right now at how we can deliver swift results. This is part of a broader drive to modernise labour markets, incorporating both national reforms and European-level action to promote mobility. We have launched a review of the system of professional qualifications and have opened a debate on the future of pensions.

Your letter concludes by recognising that the ambitious agenda that we share "requires leadership and tough political decisions". I agree – and you will not find the Commission wanting in this regard. These are challenging times but full of opportunity. Europe is a continent rich in potential, which has a clear strategy for economic renewal in Europe 2020 and the Commission has tabled many concrete proposals to promote competitiveness as well as social inclusion that now need to be agreed and implemented. By working together at 27, and with our social partners and regions, being open to finding the compromises that are necessary to reach agreement without lowering the level of our ambition, we can get the EU growing again. I welcome your support for this agenda and I hope that we can work together quickly to restore confidence and to deliver results for our citizens and businesses.

I look forward to discussing these issues with you when we meet at the end of the week. I am copying this letter to all of our colleagues in the European Council.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left and a long, sweeping horizontal line that curves upwards at the end.

Jose Manuel BARROSO

To Prime Minister David Cameron, Prime Minister Mark Rutte, Prime Minister Mario Monti, Prime Minister Andrus Ansip, Prime Minister Valdis Dombrovskis, Prime Minister Jyrki Katainen, Taoiseach Enda Kenny, Prime Minister Petr Nečas, Prime Minister Iveta Radičová, Prime Minister Mariano Rajoy, Prime Minister Fredrik Reinfeldt and Prime Minister Donald Tusk