

Herman Van Rompuy
President of the European Council
Rue de la Loi 175
B-1048 Brussels

CC: Helle Thorning-Schmidt
Prime Minister of Denmark
c/o Danish Representation to the European Union
Rue d'Arlon 73
B-1040 Brussels

CC: José Manuel Barroso
President of the European Commission
B-1049 Brussels

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Dear Mr President,

Re: European Council meeting this week – SMEs' perspectives on a "European Growth Pact"

We are writing to you on behalf of UEAPME, the European craft and SME employers' organisation. Later this week, you will be tasked with chairing a fundamental meeting of the European Council, which will discuss the actions needed to boost growth and jobs in the context of the ongoing "smart consolidation" efforts.

At UEAPME, we are convinced that the private sector has to be the driver for future economic growth and new jobs in Europe's economy, and that no companies are better placed in this respect than SMEs. Therefore, ahead of this week's meeting, we would like provide you with our own analysis of the current state of play and with our perspectives on the future policy actions to be put in place.

First of all, we fully agree with your recent statement that deficit reduction and growth are "two sides of the same coin". One must only look at the figures to realise that the fiscal consolidation and structural reforms enforced by European and international institutions up to now are not sufficient to bring our economy back to sustainable growth and to re-stabilise financial markets. That is why we fully support all growth-enhancing and growth-supporting measures. However, it must be clear to all parties that such a growth strategy has to accompany the fiscal consolidation and the structural reform agenda, rather than replace them, for several reasons:

- Most Member States do not have the fiscal room for manoeuvring to finance a growth package by additional debt.
- Therefore, future economic growth and job creation must come from the private sector. Private investments, but also private spending by households, need confidence in a prosperous economic development, for which regaining economic competitiveness is a precondition.
- Structural reforms are necessary for two reasons: to achieve mid-term fiscal stability and to achieve competitiveness by increasing productivity.

Secondly, the debate is now shifting towards the creation of a "European Growth Pact". UEAPME would support such an initiative if it is coherent with the other elements of the current crisis policy and if it includes the main priorities and needs of crafts and SMEs in Europe.

By nature, the concrete measures taken in the framework of such a “European Growth Pact” will be different from country to country in line with their specific situations and needs. However, such a pact can only be successful if there is a strong commitment by all Member States as regards the general policy outline and priorities, combined with the willingness of all governments to implement the agreed policy at national level, if necessary against the resistance of the vested interests of different groups.

The recently signed Fiscal Compact, structural reforms, growth-supporting measures and reliable governance should be the four pillars of a renewed approach to economic policy in the EU. Please allow us to briefly elaborate on the priority actions for SMEs on each of these pillars.

The main aim of the **Fiscal Compact** should be the reestablishment of a functioning finance market, to ensure sufficient financing of the real economy and to reinsure the confidence in public households to reduce the fiscal burden created by high yields on public debts. Rescue measures for financial institutions must be implemented so to maximise their lending capacity to the real economy and to SMEs in particular. We must also warn against excessive short-termism: if budgets are made sustainable in a mid-term perspective, financial markets may accept higher deficits and debt ratios for the short term, as long as the goal is to promote growth. Conversely, if they believe that mid-term sustainability will not be achieved, no short-term action will yield positive results.

As far as **structural reforms** are concerned, we have already stated that they are the precondition for sufficient fiscal consolidation and for improving competitiveness. Member States cannot afford to brush aside these reforms. In particular, national social security systems must become financially sustainable, without undermining social cohesion; since SMEs depend on high quality public services, which must be provided in a cost-efficient manner, the efficiency of public administration must be further improved; the organisation of many labour markets in Europe must be strengthened both on the supply and demand sides; the single market must be finally completed, and last but not least the regulatory framework must be strengthened by a rigorous implementation of the key principles of the Small Business Act.

Growth enhancing and supporting measures are a third pillar that will be crucial to kick-start economic expansion and to improve the infrastructure for economic activities. Once more, we would like to draw your attention to the importance of fully putting into practice the commitments made in the framework of the Small Business Act. These measures should include public support for financial instruments for investments in form of guarantees, a very efficient and cost-effective tool; support for investments in energy efficiency; professional qualification guarantees for young people, with a specific focus on vocational training and apprentices; investments in infrastructure; specific support for innovative companies and companies targeting new (international) markets. Finally, fair competition for smaller enterprises must be ensured on aspects such as late payments, access to public procurement, trade defence measures and IPR protection.

To round this off, a reliable **governance** structure must ensure a coherent design and implementation of these three policies, to ensure confidence in such an integrated policy approach.

We hope that your debate will secure consensus and commitment from all countries to pursue the necessary steps and make progress on these crucial issues as a matter of urgency. We wish you a productive meeting.

Yours faithfully,



Gunilla Almgren
President



Andrea Benassi
Secretary General