



Your voice.  
Your interests.  
Your future.

**Mr Matteo Renzi**

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**Ms Laimdota Straujuma**, Prime Minister, Latvia

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**Mr José Manuel Barroso**, President of the European Commission

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**Now or never: Re-investing in Europe for sustainable competitiveness**

Dear President Renzi,

Dear President Van Rompuy,

The European Council meeting on 23 and 24 October 2014 will be a decisive milestone for addressing the crucial issues the European Union is facing today with regard to both its internal and external policy dimensions.

Despite the recent decrease of unemployment in Europe, economic stagnation keeps plaguing the growth potential of our European Social Market Economy. With regard to the external dimension of the European Union, the ongoing Ukrainian crisis, the gas commitments between Russia and China, as well as the surges of extremism threatening the populations in the Middle-East and in Europe, are major challenges for the EU.

To finally create a positive and fast paced movement for job creation, more efforts are needed from the Member States, the EU Institutions, the Social Partners and Enterprises to reinvent the path towards sustainable growth. Growth is not only a problem of money. Altogether we need to manage the challenge to regain trust from citizens and enterprises in a positive European future. Only a positive environment for enterprises will stimulate

investments. Moreover, Europe needs to once again be the forerider in terms of R&D, at least in some key sectors in order not to be left behind by our external competitors. This is especially true when it comes to the digital economy. These aspects are crucial when discussing future growth in Europe.

### **Public and Private investments need to complement each others**

In financial matters, public services' providers and employers have faced fiscal consolidation processes which have been short-sighted in too many cases. Overall cuts in public expenditure from 2010 to 2014 have reached 5 % of GDP in the Euro area. Amongst these, all types of public investment were cut, including in education, healthcare, public administration, transport, environment protection, and so on. Preserving public investment could have made a sizeable difference in terms of output, employment and growth potential, without major negative impact on budget deficits and debt ratios. The April 2014 IMF study "World Economic Outlook" found that an increase in public investment equal to 1% of GDP boosted GDP by an underwhelming 0,4 % in the same year, and by more than 1,5% four years later. Public investment effects are even stronger when the conditions are optimal in periods of economic slack and monetary policy accomodation. The present momentum is perfect.

More structurally, CEEP asks for a change of paradigm. Public and Private investments need to be more complements than substitutes. An increase in public investment could boost, and not crowd out, private investment. This is the case for public investment in infrastructure or networks as it improves the efficiency and allocation of private investment for specific firms, sectors, or projects.

Mr Jean-Claude Juncker's 300 billion euro investment plan of the European Commission is definitely a step in the right direction. However, many uncertainties remain on how to free such levels of funding from both public and private sources.

### **Call for an ambitious climate and energy policy framework**

The energy sector is crucial for this change. As the European Commission has shown in its recent communication on the completion of the internal energy market, investments in energy networks are key for Europe's overall goal of a secure, competitive and sustainable energy system. Besides an increase in investments in energy networks, a stable and reliable political framework is needed.

Therefore, CEEP calls the European Council to set a binding target of a 40 per cent reduction of green house gas emissions by 2030, completed by significant systemic changes of the EU ETS in order to make this instrument work efficiently. Moreover, CEEP embraces the proposal for a binding EU-wide expansion target for renewable energies. At the same time, it has to be ensured that all Member States firmly commit to contributing in a substantial manner to the goal achievement. Regarding energy efficiency, a holistic approach is needed

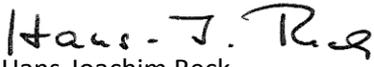
that takes into account a broad range of sectors, such as the transport sector with its high potential of rail and urban transport, to achieve their ambitious energy efficiency goals. CEEP also wishes to raise the need for an economic mid- to long-term view that includes interconnectors and energy generation capacities. In an energy market partly dominated by renewables, not only the generation of electricity but also the provision of secure generation, which is supplied mainly by conventional power plants, has to be taken into consideration.

EU-wide broadband coverage is another field which illustrates how investments in infrastructure will pay back by setting the basis for Europe's sustainable competitiveness. Broadband coverage has indeed to be supported much more than in the past years in order to allow Europe to develop its full potential for growth and jobs.

To conclude, we ask you to seize the present momentum and allow for a mix of the accommodating monetary policy of the European Central Bank with an ambitious fiscal policy, directed towards the segments of the public budget which can foster a new sustainable growth.

We believe those options are the right ones in order for deep structural reforms to deliver their full potential in terms of growth and sustainable competitiveness. Only that way we can prove at global level that our 28 Member States are able to play in a strong and united European team.

Yours sincerely,

  
Hans-Joachim Reck  
President  
CEEP

  
Valeria Ronzitti  
General Secretary  
CEEP