

Gerhard Schröder
Federal Chancellor
of the Federal Republic of
Germany

Jacques Chirac
President
of the French Republic

Tony Blair
Prime Minister
of the United Kingdom

Berlin, London, Paris February 2003

His Excellency
Mr Konstantinos Simitis
Prime Minister of the
Hellenic Republic
Athens

Dear Prime Minister,

We have made considerable progress with the Lisbon Strategy since our summit meeting three years ago. But there is still a lot to do to create the jobs and growth which Europe needs to prosper and be strong and successful in the world. So we must use the 2003 spring summit to push ahead with structural renewal and modernization in Europe, to increase the competitiveness of our economies and to ensure employment opportunities for all.

Supporting European Business

We need to develop all aspects of European business. Our **industrial sector** is a vital source of growth and employment. In our increasingly knowledge-based economies with their growing information and service sectors, industry should and will continue to play a key role:

- Europe's industry today accounts for a quarter of real net output in the internal market and provides 45 million jobs. Industry-friendly regulatory conditions can make a major contribution to increasing employment opportunities.

- European industry is an important buyer of products from the service sector in Europe. Both sectors are complementary. Dynamism in the service sector, above all in its higher-quality segment, would not be sustainable without an industrial base that is internationally competitive.
- In foreign trade with third countries, European industry generates an export surplus of EUR 55 billion. We must nurture this success.

European business plays a key role in the success of the Lisbon Strategy. When taking political decisions we have to remember that European industry has to hold its own in global competition. It cannot be used as a laboratory for regulatory experiments which increase costs or burdens on employers.

Services of General Economic Interest

Services of General Economic Interest (SGEI) are an essential part of Europe's economic and social fabric. We therefore commit ourselves to:

- An in-depth analysis of SGEI, with a view to a better mutual understanding of our public services; and
- Safeguarding the finance of SGEI. Application of the EU state aids and competition rules should not endanger the provision of public services. Equally, member states' financing arrangements should not distort the market for tradeable services.

Action for the Spring European Council

At the European Council in spring 2003, we therefore ought to initiate radical action to support internationally competitive industry:

- **Dismantling barriers:** The Commission should sift through the current market and competition conditions European industry faces, to identify existing barriers. On the basis of the findings, the Council must be presented with proposals to optimize market conditions. The Council should commit itself to act on forthcoming Commission proposals for simplifying and reducing the burden on business without delay.

- **Creating no new restrictions:** Once we have dismantled the barriers, we should not create new ones. We must not place extra burdens on our companies that would impair their international competitiveness. Therefore more attention must be paid to the effects of European Union legislation on industrial competitiveness. Prior to adopting projects, the Commission should consult effectively with European business. It must then, as part of its proposal, thoroughly examine and describe in writing the potential effects on industrial competitiveness. Decision-making at the level of the Ministerial Council also has to take due account of the needs of industry. The Competitiveness Council ought to be consulted effectively on all relevant projects.
- **Liberalizing markets:** The markets in which European industry is active have to be liberalized and kept open. We therefore ought to push ahead energetically with liberalizing energy markets and creating a single European airspace to open up new opportunities for our businesses. The Commission, Council and Parliament must aim to complete the internal market legislation currently under discussion rapidly, consistent with achieving genuinely market-opening outcomes.
- **Marketing research results:** Only an efficient industry can turn scientific research into new, marketable products. Therefore we have both to create an efficient research environment in Europe and also to make it easier to implement these research findings. Key measures here include creating an efficient business-friendly Community patent and making increased use of the opportunities of biotechnology. We also need to increase urgently the number of researchers in Europe and develop clearer links between research institutes and new business development.

Finally we need to examine the best means to reach a **high level of employment**. We will work together to ensure that the revised European Employment Strategy is an effective and focused instrument for helping member states deliver on the employment and labour market reforms they need to undertake.

In addition, building on Germany's experience with the Hartz Commission, we propose a **high-level review of labour markets** in Europe, able to produce a report by the end of the year with practical proposals for action. Better functioning labour markets are a vital support to European industry in all its forms.

To succeed, Europe must match words with actions. We look forward to working closely with you, President Prodi and all our European Council colleagues to make real progress on these issues at the spring European Council. Together we can send a message of confidence in the future of Europe, based on a dynamic and competitive economy with strong industry and a business-friendly environment.

We are copying this letter to European Council colleagues, and to heads of government in the ten new member states.

Yours sincerely,

(sgd) Gerhard Schröder

(sgd) Jacques Chirac

(sgd) Tony Blair