



1. REVITALISE THE
SINGLE MARKET

2. PUT IN PLACE
AN AMBITIOUS
INTERNATIONAL
TRADE POLICY

3. SUPPORT INNOVATION,
RESEARCH AND EDUCATION



THREE DRIVERS OF BUSINESS OPPORTUNITIES

‘Strengthening Europe’s competitiveness
is vital for sustained economic revival’

1. REVITALISE THE SINGLE MARKET

The creation of the EU Single Market has translated into numerous benefits. Like all markets, the Single Market requires constant adjustment. It is still affected by obstacles to free movement of people, goods, capital and services and regularly tested by protectionist reflexes, especially in times of economic downturn. Raising companies and citizens awareness of the advantages created by the Single Market should be a priority of the new European Commission. BUSINESSEUROPE and its member federations are ready to use their own network to help reach out to SMEs across Europe.

Chart 10 Benefits of the Single Market

FOR CONSUMERS / Lower prices, higher quality and wider choice

- For instance, price of national phone calls dropped 71 % between 1997 and 2005. EU health and safety consumer legislation is among the most stringent in the world.

FOR ALL / Economic well-being

- Between 1992-2006, the EU has had an extra estimated gain of 2,2% in its GDP and 2,75 million extra new jobs.

Benefits for more than 500 million citizens and 20 million companies

FOR CITIZENS / Mobility

- European citizens have the right to live, work, study or retire in any EU country.
- More than 5 million people now work in an EU country other than their own, and 1,5 million Erasmus students have moved across Europe.

FOR COMPANIES / New business opportunities

- Easier access to other markets within the EU is available for companies of all sizes.
- Trade integration has increased: intra-EU trade relative to GDP has risen by 30% since 1992.
- Cross-border investments have also increased: the share of total Foreign Direct Investment inflows in EU15 originating from other EU15 countries rose from 53% in 1995 to 78% in 2005.

Monitoring the transposition of the services directive and the mutual evaluation process envisaged in 2010 is another key task. Avoiding the creation of new constraints to the cross-border provision of services is also essential. For example, revising the posting of workers directive is unnecessary. The existing rules imposing the application by cross-border service providers of core national labour rules of the host country prevent unfair competition. Weaknesses in practical implementation must be addressed in the Member States where they occur.



Prices of goods are still affected by redundant product conformity assessment in different EU countries. Their total cost ranges from 2% to 15% of enterprises' entire annual turnover. Correct application of the mutual recognition principle and a common framework for accreditation and market surveillance must be effective in 2010. Efforts to remove remaining barriers should focus on six strategic sectors: energy, transport, telecommunications, financial services, public procurement and restrictions on entry of citizens from new Member States. The EU should set itself the target of completing the digital Single Market by 2015.

Implementing the better regulation programme is also essential to improve the efficiency of the Single Market. A fast-track procedure is needed if we want to deliver the target of reducing administrative burdens by 25% in 2012 and benefit from the related growth increase estimated at 1.5% of EU GDP. This 25% reduction should be a net target. To ensure that new legislation does not subsequently cancel out achieved reductions, new rules must go through systematic impact assessment.

2. PUT IN PLACE AN AMBITIOUS INTERNATIONAL TRADE POLICY

Multilateral and bilateral trade negotiations must focus on broad-based market access for trade and investment in key markets and improved global rules. A strong link between trade policy and overall EU competitiveness policy is needed. In an increasingly globalised world it is vital that the EU policies contribute to strengthening the EU's international competitiveness.

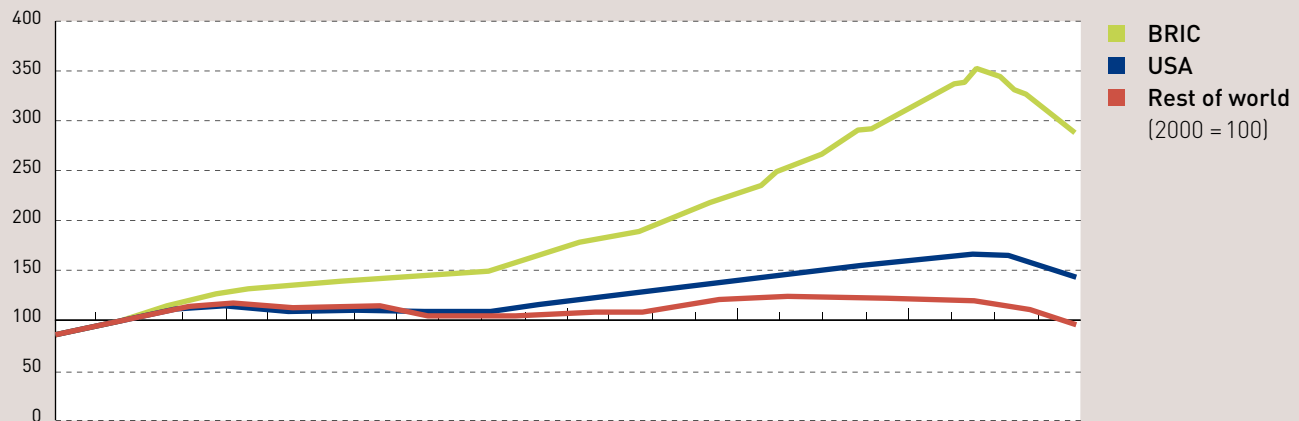
While firmly committed to concluding the WTO Doha Round, bilateral free-trade agreements are essential to increase market access for European companies in fast-growing markets like South Korea, India and South East Asian countries. The EU must strongly promote its export and investment interests in these negotiations in close cooperation with European business.

EU-US economic relations should be further strengthened. The Transatlantic Economic Council (TEC) should take a leading role in facilitating coordination between the US and the EU on combating the global recession and financial crisis as well as decisive steps towards creating a barrier-free transatlantic market.

Trade negotiations will prove meaningless without a strong EU enforcement policy to ensure that trade partners live up to their commitments. Europe's market access strategy should focus more specifically on barriers in leading emerging markets, including Russia, China, India and Brazil. It should also take a firmer line against countries which do not respect their international trade commitments.

Trade can only be a driver for business opportunities when strong and effective protection of intellectual property rights and fair and undistorted access to raw materials are ensured. Regulatory dialogues with key trading partners, in particular the US, should therefore be a key component of the EU's trade policy.

Chart 11 Emerging economies drive EU export growth

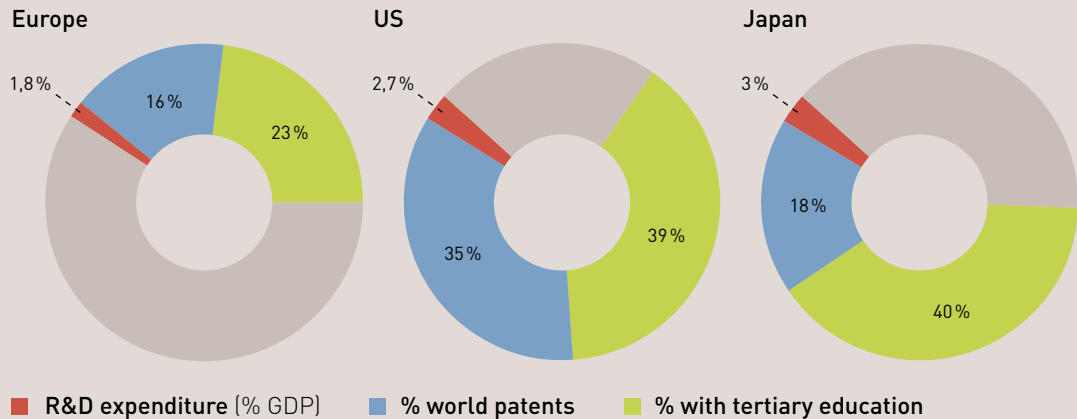


Source: Eurostat

3. SUPPORT INNOVATION, RESEARCH AND EDUCATION

Betting on education, research and innovation is undoubtedly the right strategy for Europe. Innovation is key if we want to meet the challenges linked to climate change, the ageing population or energy security. It has also been at the heart of our competitiveness strategy since 2000. However, with an average of 1.8% of R&D expenditure as a percentage of GDP in 2007 compared with 2.7% in the US and more than 3% in Japan or South Korea, aggregate R&D spending in Europe lags significantly behind competitors. Moreover, the average share of people with tertiary education for 25-64 years old is only 23% compared with 40% for Japan and 39% in the US. Europe has many universities but only two (Cambridge and Oxford) in the top ten of the Shanghai ranking. Moreover, with only 16% of world patents registered by the EU compared with 35% by the US or 18% by Japan, it could also do much better in turning knowledge into business.



Chart 12 Europe's innovation challenge


Source: Eurostat

Many actions to improve education, research and innovation are a national competence. However, the European Union offers many possibilities to create mutually beneficial cross-border cooperation between Member States. The Erasmus programme and Bologna process have stimulated the mobility of students and knowledge. They have also acted as a catalyst for modernisation of European universities.

The European Institute of Innovation and Technology is a promising tool for strengthening links between education, research and innovation. Another good example of policy integration is the new industrial policy developed by the EU since 2004, with a combination of cross-cutting policies and sectoral initiatives. However, cross-border cooperation on research and education is still lagging behind. The European Research Area strategy was launched in 2000. In 2009, the effective governance system needed to implement it is still missing.

Investment in R&D and innovation can be supported through national tax incentives as long as they respect EU state aid rules. Improving access to specialised finance like venture capital (currently at one third of the level in the USA) is also essential. Developing private-public innovation partnerships and increasing public investment, notably by stepping up the share of R&D and innovation expenditure in the EU budget for 2010-2014, would also be helpful.

Market demand for new products and services is a key factor influencing innovation investment. The EU “Lead Markets Initiative” is a step in the right direction. However, progress in implementation should be speeded up.

Ensuring cost-effective protection of intellectual property rights is also essential. The EU should adopt a comprehensive intellectual property strategy for 2010-2014 covering both industrial property and copyright issues.



KEY POLICY RECOMMENDATIONS

- **MONITOR** THE TRANSPOSITION OF THE SERVICES DIRECTIVE AND THE MUTUAL EVALUATION PROCESS IN 2010.
- **ENSURE** THAT THE NEW LEGISLATIVE FRAMEWORK FOR GOODS IS FULLY IMPLEMENTED AND RESPECTED WHEN REVISING EXISTING DIRECTIVES AND IN FUTURE PRODUCT LEGISLATION.
- **IMPLEMENT** THE BETTER REGULATION PROGRAMME AND CARRY OUT SYSTEMATIC IMPACTS ASSESSMENTS.
- **OBTAIN** NEW MARKET ACCESS THROUGH MULTILATERAL AND BILATERAL TRADE NEGOTIATIONS AND MAKE SURE THAT TRADING PARTNERS LIVE UP TO THEIR COMMITMENTS.
- **STRENGTHEN** REGULATORY DIALOGUES WITH KEY TRADING PARTNERS, IN PARTICULAR THE US, TO PREVENT AND REMOVE BARRIERS TO TRADE.
- **DEVELOP** MORE PRIVATE-PUBLIC PARTNERSHIPS FOR INNOVATION, PUBLIC SERVICES AND INFRASTRUCTURE.
- **INCREASE** PUBLIC INVESTMENT IN INNOVATION AND SUPPORT INVESTMENT IN R&D AND INNOVATION THROUGH NATIONAL TAX INCENTIVES AND ACCESS TO SPECIALISED FINANCE.
- **INCREASE** CROSS-BORDER COOPERATION ON RESEARCH AND EDUCATION, NOTABLY THROUGH THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY.

