



18 June 2014

### **Message to the new European Parliament and to the European Council meeting on 26-27 June 2014**

#### **Fewer priorities and bolder actions for a competitive and prosperous Europe**

#### **What European companies expect from the European Union in the next 5 years**

##### Pro-European forces must focus on the right priorities

After the European elections, the European Council and the European Parliament will take important decisions for the Presidency of the next European Commission and discuss how to shape the agenda of European Union during the next 5 years in order to address the concerns expressed by voters.

The clear majority of pro-European forces resulting from the elections have the duty to work for a more competitive Europe to create more growth and more jobs and pave the way to greater social cohesion. Living up to this responsibility is the best way to address the concerns of those Europeans who voiced disenchantment towards the European Union. It is also essential for the majority of Europeans who voted for an improved European Union.

The European Union must dare to make bold choices, pursue a coherent policy agenda and move away from contradictory compromises. We need fewer priorities but the right ones and real implementation of the measures decided.

European companies strongly believe in the European Union. They are the most important contributors in improving the prosperity for European citizens. Companies want to invest in Europe, generate more growth and more jobs. In order to perform at the maximum of their capacity, they need a competitive European business environment.

The EU has lost a significant share of global FDI flows. We dropped from 40% of the total in the early 2000s to 24% in 2012, which means a relative decrease of 40%. Action is urgently needed to reverse this alarming trend.

BUSINESSEUROPE is counting on the European Council and the European Parliament to cooperate positively in the establishment of a strong and efficient European Commission and to refocus the European agenda on improving competitiveness in order to attract investment and give European citizens a brighter future.

The efforts made to improve the sustainability of public finances and drive Europe out of recession are starting to pay off. But we are not yet completely out of the woods and while Europe was addressing internal weaknesses, the rest of the world did not stand still. Much more must be done to achieve a simpler, more efficient and more cohesive European Union able to act and react swiftly to internal and external economic, social and political developments.



Improved economic governance is essential to enhance growth prospects. Better coordination, monitoring and enforcement is also needed to avoid macro-economic imbalances and further develop the single market for the benefit of business and citizens.

In a global economy European countries must join forces. By 2050, none of the European member states are projected to be amongst the world's largest economies. Therefore, we only have the choice between succeeding together or becoming insignificant separately.

### Structural reforms must be stepped up to boost growth and employment

Fiscal consolidation and growth enhancing reforms have to go hand in hand. The reform objectives set out in the EU country specific recommendations focus on the right issues but they are poorly implemented. Only 23% of the recommendations made have been followed by satisfactory implementation according to BUSINESSEUROPE's member federations. Member States must not only endorse the proposed new country-specific recommendations on 26-27 June 2014. National governments must live up to the commitment of implementing them in their respective countries. This is crucial to reduce youth unemployment across the European Union..

The Commission proposals for the new country specific recommendations underline that fiscal consolidation has relied more heavily on tax increases in many member states and that the focus should now be on structural reforms to reduce expenditure and improve competitiveness. This is extremely important to improve the investment climate and boost job creation thereby paving the way to social progress.

In addition, access to finance must be improved, especially for SME's. The Banking Union has to be implemented and structural funds growth enhancing programmes must be optimised.

### Improving competitiveness is key to increase growth and create more jobs

A strong industrial base in a well-functioning Single Market is essential for Europe's recovery and long-term growth and job creation, including in services activities. There is no time to waste. The European Union must fully embrace the goal of increasing the contribution of industry to 20% of the EU GDP by 2020 and put in place a comprehensive and coherent strategy to improve industrial competitiveness and better integrate EU companies in international value chains.

This will require new European governance. Having defined the way forward during its March 2014 meeting, the European Council must make sure that real actions are taken and evaluate at the progress made at each Spring European Council in the context of the Europe 2020 strategy.

The Competitiveness Council must align its agenda with other Council configurations and make its voice heard on topics with an impact on competitiveness, with a permanent President and supported in this strategic work by a strengthened high level group on competitiveness and growth.





The European Commission too will have to make sure that competitiveness is systematically prioritised in all the policy initiatives it proposes and will have to adapt its governance accordingly.

Better regulation is needed to improve competitiveness and create jobs. Ensuring that impact assessments are carried out independently from policy-makers, carrying out ex-post evaluation of existing regulation to remove unnecessary administrative burden and taking into account the cumulative effect of legislation is therefore essential.

#### Further integrating the Single Market and improving Europe's leverage in the global economy

The European Union should focus on how to better leverage its key strength: the 500 million consumers in the Single Market. A better integrated Single Market is essential for growth and jobs. BUSINESSEUROPE is convinced that, in many cases, this can be achieved through better implementation and enforcement of the existing EU legal acquis. Improving the functioning of the Single Market also requires getting rid of unnecessary administrative burdens. Finally, the EU needs to address specifically the existing legal fragmentation hampering, in particular, the development of the digital single market.

One European job out of ten depends on exports. Concluding ambitious trade agreements with strategic partner countries is therefore essential for the prosperity of European citizens. Rather than fearing trade negotiations with the US, Japan or emerging economies, we should focus on how to open new market opportunities for European goods and services .

#### Energy prices and energy security must urgently be addressed

Decision-makers must be particularly vigilant to ensure cost-effectiveness of national and EU level initiatives because energy prices in the EU are already heavily impacting our competitiveness.

The 2030 energy and climate package is a major test for Europe to balance and monitor competitiveness, security of supply and climate objectives better than in the past. European companies are taking their responsibilities and will continue to bring to the market technological solutions to climate change. But they need a framework that address the challenge of excessively high energy prices and safeguard the international competitiveness of European businesses.

The EU should move away from the three overlapping targets to a single greenhouse gas emissions target, implying appropriate efforts on renewable and energy efficiency. BUSINESSEUROPE supports a binding greenhouse gas reduction target post-2020. But we urge Member States to thoroughly assess what the proposal for a minus 40% by 2030 really means for each country at national level. Such a reduction will require enormous efforts. As the low hanging fruits were already harvested, every additional percentage of reduction will become more cost-intensive. It is therefore all the more important to ensure that the EU does not put itself again in the position of lone frontrunner. The level of ambition for the greenhouse gas reduction target must be adaptable to the outcome of the international climate negotiations in 2015 in Paris.



A genuine revision of the ETS, including stronger compensation measures, is also fundamental to mitigate the effects of high energy prices. BUSINESSEUROPE insists that rather than tweaking the system with isolated measures, deeper structural reforms of the EU ETS are necessary to provide an adequate level playing field for compensation of direct and indirect costs and to avoid investment leakage that des-industrialises Europe.

The situation in Ukraine is a wake-up call for a strong European energy security strategy. BUSINESSEUROPE supports further efforts to increase and diversify Europe's energy sources both domestically and externally. Energy efficiency improvements, in particular in the building sector, are necessary but not enough. Europe must keep all options open on energy sources, including potentially highly advantageous unconventional energy sources such as shale gas.

Our needs will not be reached cost-effectively if the EU continues to have 28 separate energy policies. The EU's ability to act in the field of energy policy must be strengthened. While decisions on energy mix are a national competence, a stronger coordination between national energy policies is needed. Member States have duty to cooperate on issues with potentially wide consequences for neighbouring markets to ensure the proper functioning of the future and much needed interconnected energy market.

#### Many other issues will have to be addressed to meet the challenges facing the European Union

Constant resilience and high ambition must be maintained to meet the challenges faced by the EU.

BUSINESSEUROPE is developing the details of the agenda to be implemented in order to deliver the vision of a Powered, Innovative, Competitive, United, Talented, Resilient and Entrepreneurial Europe described in its publication "PICTURE a global Europe".

However, strong signals must be given immediately to show the determination of the new European Parliament and of the EU Council to live up to their responsibility and join forces to build a competitive Europe, where companies can invest more, generate more growth and create more jobs for European citizens.

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