IV POSITION PAPER

Conference on the Future of Europe

IV POSITION PAPER: CONFERENCE ON THE FUTURE OF EUROPE

On 9 May 2021 the „Conference on the Future of Europe", the one-year dialogue forum to be held online and by means of events in all EU Member States, was launched in Strasbourg. The conference is jointly chaired by the respective EU Council Presidency (Portugal, Slovenia and France), the European Commission and the European Parliament. The aim is to involve citizens, as well as representatives of civil society and stakeholders at European, national, regional and local level, in the discussion on the future of Europe and in the definition of the EU's medium- to long-term priorities.

The Federation of Austrian Industries (IV) supports the further development of the European Union and considers the Future of Europe Conference an opportunity to help set the EU's agenda for the next five to ten years. The guiding principle should be to decide in which areas a deepening of the EU is needed to strengthen Europe's leading role in the world and in its competitiveness (e.g. single market, technology leadership, climate policy and resource efficiency, foreign policy). At the same time, it is crucial to actively apply the principle of subsidiarity and avoid regulatory burden. Finally, there is a need for lessons learned from the handling of the Covid crisis, for instance regarding more efficient forms of decision-making and the relevance of strategic value chains.

It is of key importance to ensure that by 2030 the European Union will

- increase its capability to act in a more unified manner in global competition,
- master the coming stage of the climate and resource-efficient transformation (minus 55 per cent greenhouse gas emissions planned by 2030), while maintaining industrial competitiveness to preserve jobs and value creation in Europe,
- become one of the world's most innovative economic areas in the context of the digital transformation by achieving the goals of the digital compass (by 2030 in the EU 20 per cent global production of semi-conductors, 20 million ICT specialists, 5G coverage in all cities, first quantum computer by 2025, comprehensive e-government etc).

To this end, IV puts forward the following key recommendations:

1. Revitalise and deepen the European single market
2. Facilitate a European investment initiative
3. Sustainability in line with industrial policy
4. Strengthen Europe's technological sovereignty and resilience
5. Reinforce Europe's global role and promote a confident foreign and international trade policy through fair trade agreements
6. Further develop the EU towards increased efficiency and a strengthened capability to act

1. REVITALISE AND DEEPEN THE EUROPEAN SINGLE MARKET

With a GDP of around 15 trillion euros, 450 million consumers and 21 million businesses, the single market and the four freedoms of the European Union form the foundation for entrepreneurship and prosperity in Europe. As a small export-oriented economy, Austria has been able to benefit disproportionately from participation in the EU single market to the advantage of businesses and the population alike. Since its entry in the EU single market, Austria increased its productivity as well as its prosperity by 3 to 4 percent annually. The advantages of the single market, such as the free movement of goods, persons, services and capital, require common rules and regulations (e.g. with regard to standards, subsidy and monopoly control, etc.).

The full realisation of the unrestricted single market in all areas (goods, services, capital, energy, digital, mobility) must therefore remain a central political goal of the EU. The completion of the EU single market could lead to an additional cumulative GDP increase of nine percentage points and an increase in average annual household income of EUR 6,000 by 2030.

The completion of the Single Market could lead to additional growth of 9 % points by 2030.

However, the multitude of disruptions in the wake of the Covid crisis - in particular through border controls, restrictions on movement of people and goods as well as disruptions of supply chains - highlighted the fragility of the single market. Moreover, it displayed its great significance for European economies and citizens alike. In the process of rebuilding the European economy, it is therefore necessary to consolidate and revitalise the single market and its achievements.

IV key recommendations:

- Eliminate all Covid-related restrictions at the EU's internal borders to ensure proper movement of goods and services and undisturbed supply chains.
- Deepen the single market through the rapid and full implementation of the European Commission's Single market package (action plan for better enforcement of single market rules and regular report on barriers in the single market).
- Prepare to deal with future challenges similar to the pandemic in a structured way (Covid mutations, future pandemics, other exceptional situations, etc.), including through rapid decision-making procedures and the preserving and/or development of strategic value chains, with the aim of ensuring commuter traffic, exchange of goods and undisturbed supply chains within the single market.
- Rapid development of partially still fragmented cross-border infrastructure (common road, rail, electricity and data networks) through the targeted use of EU funding instruments (e.g. Connecting Europe Facility, cohesion funds, Digital Europe Programme).

2. FACILITATE A EUROPEAN INVESTMENT INITIATIVE

The implementation of the EU initiatives for economic recovery under the multi-annual EU budget and the €750 billion EU Recovery Fund shall be used to spur additional investments. Furthermore, the investments should support structural reforms to raise sustainable growth potentials. In the long term, the stimulation of both private and public investment is particularly crucial. In addition to EU investment programmes (e.g. InvestEU programme), strengthening venture capital financing and improved investment conditions, due to the interplay of the EU framework and national laws, are particularly important (e.g. company start-ups in the EU are three times as expensive and take twice as long as in the USA).

A successful European investment initiative also requires accelerated administrative and permitting procedures from the EU level, similar to the principles of the Austrian business location act ("Standortgesetz"). Besides the broader investment framework, EU legislative proposals in the energy and infrastructure sectors play a central role in this regard.

Furthermore, it must be ensured that the planned new own-resources of the EU (e.g. introduction of a digital tax, expansion of emissions trading, carbon border adjustment mechanism) are designed in a revenue-neutral manner and are based on a broad geographical or global framework so that overall there is no additional burden on business and industry with competitive disadvantages. In addition, revenues from such levies must be earmarked for investments to master the green and digital double transformation.

The EU Recovery Fund with a size of € 750 billion shall be used to spur additional investments.

IV key recommendations:

- Encourage additional investments as part of the EU Recovery Plan, first and foremost through the joint participation of Austria and Austrian companies in new IPCEI projects (in particular IPCEI Low CO2 Emissions Industry, IPCEI Microelectronics & Connectivity, IPCEI Hydrogen).
- Comprehensive screening of EU legislation by the European Commission concerning its impact on the general investment conditions.
- Ensure that permitting procedures for projects in the energy and environmental sector are as efficient, compact and time-saving as possible, with non-excessive use of appeal possibilities, especially in the framework of the EU Regulations on TEN-E energy infrastructure and the Aarhus Convention.
- Planned new own-resources of the EU (e.g. planned digital levy, expansion of the ETS, CO2 compensation mechanism, etc.) should be implemented in a revenue-neutral manner and the revenues should be earmarked for investments of energy-intensive industries.
- A possible European digital levy should only be introduced on a broad global framework, e.g. by prior decisions in the OECD framework.

3. SUSTAINABILITY IN LINE WITH INDUSTRIAL POLICY

Europe is a global leader in responsible entrepreneurship, which presents companies with market opportunities through innovation. Currently, however, the EU sustainability strategy foresees the widespread introduction of sustainability aspects in more and more EU policy areas (e.g. legislative initiatives on corporate responsibility, sustainable finance, taxonomy, etc.). Rigid legal regulations in this area bear the risk of leading to considerable additional burden as well as restrictions on entrepreneurial activity due to excessive obligations (see for instance planned legislative proposal on due diligence). In an extreme interpretation, this could massively complicate economic activities of European companies in third countries (affecting exports and foreign investments).

The way in which the European Green Deal is implemented is crucial. Ambition and speed are currently being increased drastically at EU level in the fields of energy, environment, and mobility. This was already evident in raising the EU's 2030 climate target along the lines of becoming climate neutral by 2050. The goal of resource efficiency (i.e. the most efficient use of energy and raw materials per output) can open up new market opportunities and innovations for companies. However, there is a serious risk of cumulative burden by a tightening of a number of existing regulations and new obligations (emissions trading, energy efficiency directive, eco-design requirements, CO2 limits in the mobility sector, REACH, etc.). In addition, it is important not to jeopardise the secure supply of energy and the stability of power grids (consider the almost blackout at the beginning of 2021).

The question of HOW will be key when implementing the Green Deal.

In order not to counteract EU initiatives for economic recovery, a moratorium is needed on additional burden for industry in all EU policy areas. As an integral part of a European industrial policy geared towards competitiveness, it is important to assess the cost-side effects of EU legislation more effectively and avoid unintended burden. To this end, a number of levers in the area of „Better Regulation" are relevant (see the Commission's comprehensive better regulation toolbox). As a basis for action at EU level, the systematic application of the principles of proportionality and subsidiarity must be ensured.

Finally, Member States are also urgently called upon to refrain from an excessive national implementation of EU Directives ("gold plating"). For a level-playing field within the EU it is crucial that EU legislation is applied as uniformly as possible throughout the EU.

IV key recommendations:

- IV is committed to sustainable, responsible and future-proof business concepts. Businesses should be treated as part of the solution, not part of the problem, to achieve sustainable development.
- IV supports the broad outlines of the European Green Deal and long-term climate neutrality. However, the concrete implementation - the "question of how" - is key. This requires a realistic assessment of economic effects of legislative initiatives under the Green Deal, besides financing support to meet investment requirements by industry.
- Tangible implementation of better regulation at EU level, including strict application of the "one in, one out" rule as announced by Commission President Von der Leyen. The recommendations of the Regulatory Scrutiny Board, as well as the results of public consultations, should also be incorporated more concretely into legislative proposals. Strict application of the subsidiarity principle (e.g. along the proposals of the Active Subsidiarity Task Force) and avoidance of gold plating by national authorities.

4. STRENGTHEN EUROPE'S TECHNOLOGICAL SOVEREIGNTY AND RESILIENCE

In implementing the European Commission's new approach of "open strategic autonomy" (see for instance Update of the Commission's Industrial Strategy May 2021) , the advantages of open markets and international free trade must be preserved while strengthening Europe's technological-industrial sovereignty to preserve key industries and allow for the development of European global champions.

IV therefore supports a reform of EU competition law. This is a core element of the EU's single market and contributes significantly to the high competitiveness of European companies. However, new global European champions can only establish themselves on global markets if they are also measured against international competition criteria.

The digital sector is crucial for Europe's global competitiveness. Here, the Commission's goals according to its digital compass must be achieved in the EU by 2030: 20 percent global production of semi-conductors, 20 million ICT specialists, 5G coverage in all cities, the first quantum computer by 2025 and comprehensive availability of e-government.

Artificial intelligence, a revolutionary key technology that has already become an indispensable part of everyday life, will continue to gain in importance. However, European companies currently play far too small a role in its further development compared to the US and China. Since no Member State can make the necessary investments and create the necessary framework conditions alone, joint European action is vital. As a basis, trust and understanding for artificial intelligence and new digital developments must be created.

20 percent global production of semi-conductors, 20 million ICT specialists and 5G coverage in all cities in the EU are among the key targets of the Digital Compass for 2030.

IV key recommendations:

- Strengthen European technological competence in key technologies via European programmes and initiatives (e.g. Horizon Europe, Digital Europe, CEF, Structural Funds, etc.).
- Implement "open strategic autonomy" in close cooperation with industry. For example, by identifying and supporting (technology) areas and value chains that are crucial for key technologies and basic services – also in times of crisis (critical infrastructure, health care) – in order to ensure sufficient capacities in Europe and reduce one-sided dependencies.
- Implement European proposals for reforming the European digital space (Digital Markets and Digital Services Acts), while fully exploiting the potential of the European digital and data economy by means of proper incentives for data use for companies with voluntary data exchange.
- Develop a cross-border digital infrastructure within the EU (expansion of high-performance networks, EU Cloud Gaia-X) and adapt the legal framework conditions for new technologies (ensuring cyber security, autonomous driving, etc.) in a timely manner.
- Reform state aid and competition law as well as merger control with greater flexibility and take global dynamics into account, so as not to hinder the emergence of European global champions.

5. REINFORCE EUROPE'S GLOBAL ROLE AND PROMOTE A CONFIDENT FOREIGN AND INTERNATIONAL TRADE POLICY THROUGH FAIR TRADE AGREEMENTS

The EU should become a more confident actor in foreign and security policy as well as in international economic and trade policy. The aim is to dismantle trade barriers, not least also to set global standards and create economic partnerships with developing countries. This is crucial in a changing world. While the United States continue to be a close partner of the European Union, China has fully established itself as a world power. An EU that has the power to act and thus is strong to the outside, is in the very interest of all EU Member States. For small Member States in particular, the European Union is essential as a representative vis-à-vis other world powers. In Austria, for example, almost 659,000 jobs depend on trade relations with third countries.

However, there is still a need for reform of Europe's foreign policy capabilities. Decisions still require unanimity, which limits the EU's ability to act in matters of foreign policy. As far as EU trade policy is concerned, improvements have been made to achieve the rapid implementation of trade agreements (see past experience with CETA and the current EU-UK trade and cooperation agreement), including through the "provisional application" of agreements (i.e. before ratification by all Member States).

Almost 659,000 jobs in Austria depend on trade relations with third countries.

The EU also needs a louder voice for multilateral trade agreements. The WTO rulebook is the foundation of multilateral trade relations. China's status as a developing country, the blockade of the Dispute Settlement Body and the overdue inclusion of e-commerce in the rulebook recently made it clear that a reform of the WTO is crucial.

In principle, IV is in favour of the EU using the weight of its single market to establish European values and sustainability aspects globally. The intertwining of trade policy and sustainability can ultimately also result in positive dynamics for industry. The fact that European foreign trade policy is used as a lever to work towards a global level playing field in climate policy is a good and welcome example. However, caution is needed as excessive demands on international partners may reduce Europe's ability to pursue its commercial interests and ultimately reduce its influence altogether.

Finally, higher priority must be given to strengthening relations with the EU's immediate neighbours. In order to maintain the European Union's role as an anchor of stability and the integrity of the single market, a functioning EU external border guard is indispensable. In addition, a paradigm shift is necessary with regard to a common defence policy as well as concerning development cooperation (towards improved framework conditions for private investment).

IV key recommendations:

- Replace the principle of unanimity in the Common Foreign and Security Policy (CFSP) with qualified majority decisions to strengthen the EU's ability to act in matters of foreign policy and be able to act in a more united manner internationally.
- Avoid an overburdening of international trade agreements by emphasising other policy priorities to the detriment of the EU's own commercial interests.
- More action by the EU against protectionist tendencies and a continuous commitment to reforms of multilateral organisations. In particular, a reform of the WTO should provide for sanctions against competition-distorting measures (especially concerning foreign subsidies and forced technology transfers) and a modernised dispute settlement mechanism.

6. FURTHER DEVELOP THE EU TOWARDS INCREASED EFFICIENCY AND A STRENGTHENED CAPABILITY TO ACT

Beyond the single market and its economic benefits, a central purpose of the EU is to achieve better results on major common challenges rather than through individual action by Member States. In particular, through closer cooperation at EU level, the pooling of resources and the breaking down of barriers. However, the current COVID-19 crisis has once again highlighted that the EU's capacity to act is often limited, which leads to disadvantages for the EU's strategic interests, its economy and well as its population.

A certain complexity in decision-making processes cannot be avoided in a Union of 27 Member States with a need for "checks and balances" (these are especially important from the perspective of a smaller Member State). Nevertheless, there is potential for improvement. Most likely, reform options based on the existing EU treaties would have to be utilised. One such option to strengthen the Union's ability to act would be to apply the unanimity principle in the EU Council only in particularly sensitive matters such as tax and social policy (by applying the "passarelle clause"), while deciding by „qualified majority" in other policy areas and in the case of political statements (possible on the basis of the current treaties).

In addition, a sufficient balance between the three institutions (Commission, Parliament, Council) is important. All three EU institutions need equal capacities. For example, the Council shall have the capacity to analyse also independently impacts of Commission proposals and amendments thereof, in order to strengthen fact-based decision-making and better avoid unintended effects of EU legislation.

Finally, the instruments of the Economic and Monetary Union should be further strengthened. The economic shocks caused by the COVID-19 crisis have led to a massive increase in public debt within the EU. In the medium term, the reduction of debt ratios, the improvement of the debt sustainability of the EU states and structural reforms are necessary.

In the medium term the reduction of debt ratios and structural reforms in EU Member States will be key.

IV key recommendations:

- Limit the number of European Commissioners to 2/3 of the Member States according to the rotation principle (as provided for in the EU Treaties but not applied as a compromise), as well as by creating a single seat for the European Parliament in Brussels.
- Simplify and, where possible, harmonise "EU terminology" across all three EU institutions in order to make matters and decision-making in European affairs more accessible for the citizens of EU Member States.
- Expand qualified majority decisions in the Council, for example in the area of EU foreign policy, in bodies created in crisis situations (see Covid experience), and for the adoption of political statements ("Council conclusions").
- Improve the analysis and impact assessment capacity of the EU Council, similar to the ones already existing on the side of the Commission and the European Parliament.
- Further develop the Economic and Monetary Union: Expand the ESM to gain a stabilisation function as a second pillar. Loan financing should be linked to structural reforms. The regulations of "economic governance" should be simplified, the focus on the debt sustainability of the EU states must be maintained. A permanent expansion towards a "debt union" with joint liability is rejected.

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IMPRESSUM

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Vereinszweck gemäß § 2 Statuten: Die Industriellenvereinigung (IV) bezweckt, in Österreich tätige industrielle und im Zusammenhang mit der Industrie stehende Unternehmen sowie deren Eigentümer und Führungskräfte in freier und demokratischer Form zusammenzufassen, ihre Interessen besonders in beruflicher, betrieblicher und wirtschaftlicher Hinsicht auf nationaler, europäischer und internationaler Ebene zu vertreten und wahrzunehmen, industrielle Entwicklungen zu fördern, Rahmenbedingungen für Bestand und Entscheidungsfreiheit des Unternehmertums zu sichern und Verständnis für Fragen der Wirtschafts- und Gesellschaftsordnung zu verbreiten.
Die verwendeten Bezeichnungen beziehen sich auf alle Geschlechter gleichermaßen.

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