MESSAGE TO EUROPEAN POLITICAL PARTIES AHEAD OF 2024 EP ELECTIONS

STRONGER BUSINESSES, STRONGER EUROPEAN UNION

Ahead of the European election on 6-9 June 2024, BusinessEurope (representing small, medium and large companies from 36 European countries through its 42 member federations) urges European political parties to ensure that the European Union takes the necessary measures to strengthen Europe's economy.

The European economy is falling behind. Between 2019 and 2021, foreign direct investment has decreased by two thirds in the EU while it has increased by two thirds in the US and the number of greenfield investment projects in the EU fell by 15% between 2021 and 2022, compared to an 18% increase in the US. Europe's declining attractiveness for investment needs to be addressed.

During the next cycle, the EU needs to put competitiveness at the forefront. Having a strong economy is necessary to defend our European way of life and European interests abroad. It enhances our ability to promote our values and reinforces our attractiveness as an investment destination and as a partner for free trade agreements.

European companies are committed to play their role in society by producing quality goods and services at affordable prices, by creating productive and fulfilling jobs, by contributing to the financing of necessary public services and infrastructure. In order to allow them to do this, an ambitious competitiveness agenda needs to be at the forefront of EU policy-making. Companies' competitiveness cannot be taken for granted.

The combination of unaddressed pre-crisis structural weaknesses in the European Union with geopolitical tensions, a more fragmented world where third countries are less and less willing to follow the EU regulatory example and the multilateral rules-based order is challenged, are creating the conditions for a perfect storm.

The EU needs to strengthen its economy and improve the attractiveness of the EU as a business location in order to be able to continue to act as an anchor of peace, prosperity, security and stability, after 5 years marked by permanent crisis, rising geopolitical tensions, the war in Ukraine and their economic fallout such as supply disruptions, the return of inflation and the erosion of investors and consumers' confidence.

The EU needs to turn its attention to making the green and digital transitions work and prove that its ambitions can lead to economic success, after 5 years during which the European Union has focused on regulating these 2 crucial transitions, expecting the rest of the world to follow its example.

The EU needs to step up enforcement of existing Single Market rules and create a new dynamic for the removal of barriers to cross border mobility of persons, goods, services, capital and data, after 5 years, during which the level-playing field in the single market has been weakened by crisis-related exemptions and a slowdown in the removal of obstacles to free movement.

The EU needs to create the conditions for paying back public debt through growth and empower companies and citizens to produce the goods and deliver the services that will enhance our GDP, after 5 years of rising state intervention in the economy which led to a marked increase in public expenditure.

To ensure that Europe can assert itself internationally, shape global politics, be resilient, secure, and achieve its digitalization, climate, environmental as well as its social ambitions, economic strength is a necessary prerequisite. In 2024-2029, the EU institutions need to pursue an agenda putting Europe's global competitiveness back at the centre of EU policy. The EU will need to strike the right balance between protecting its economic security and focusing on making the green and digital transitions work in order to build an economy that delivers prosperity to citizens and allows us to maintain a strong position in the world. There are 7 major actions to be taken to reach that goal.

ACTION N°1: STRIKE THE RIGHT BALANCE BETWEEN SECURITY AND ENABLING THE EUROPEAN ECONOMY

The EU is only 6% of the world population and 85% of economic growth in the coming years will be generated outside the EU. It will not become economically or politically stronger by turning its back to the world and trying to become self-sufficient. On the contrary, Europe would become poorer, less competitive and weaker in the world scene. There cannot be strategic autonomy without openness. De-risking takes time and economic security measures need to be carefully calibrated to avoid a negative impact on Europe's competitiveness.

The EU will need to continue concluding trade agreements that offer access to new markets and open investment opportunities for European companies. These agreements are important not only economically but also geostrategically. The additional access they offer to critical raw materials and other inputs - including energy - will help diversify and strengthen the resilience of our supply chains. Europe will need to find ways of engagement with all trading partners and not just with those that we consider like-minded. With the ever-changing political landscape a like-minded partner today might not be a like-minded partner tomorrow.

Currently most of our trading partners in developing countries are complaining the EU is becoming protectionist, using sustainability objectives as an excuse to adopt legislation that "de facto" closes the EU's market. We should ensure that our legitimate sustainability objectives are well understood and that we support third countries in their efforts to comply with them. The EU should present a value proposition to interested partners that is adjustable to their needs and combines trade and investment agreements, critical raw materials partnerships, capacity building and development incentives as well as the support of the Global Gateway.

Furthermore, to increase the production capacity of the European defence industries and ensure that European defence companies have the means to supply European defence as well as Ukraine, it is fundamental that EU rules do not hamper access to finance for this important sector. EU member states should promote joint procurement.

ACTION N°2: REDUCE THE REGULATORY BURDEN WEIGHING ON EUROPEAN COMPANIES

The EU ambitions have translated into an extensive legislative agenda. Between 2017 and 2022, the European legislator has imposed a total of 850 new obligations on companies, representing more than 5.000 pages of legislation which add extra burden for companies. This regulatory inflation brings major reporting and compliance costs for European companies and is particularly damaging for SMEs. Moreover, the developments of crucial future oriented sectors such as biotech and AI in Europe is held back by overly complex approval procedures and over prescriptive regulations. Regulations should not stifle investment and innovation.

The EU institutions and member states will need to reduce the regulatory hurdles to investing, producing and commercialising innovation in Europe. The work announced to reduce reporting requirements for companies by 25% is a good first step but the European Union will need to go way beyond that, stop seeking to micro-manage companies, and fully implement better regulation principles and tools.

The European Union will also need to stop proposing unnecessary revisions of existing EU rules and to fully apply competitiveness checks and impact assessments on all new EU regulatory initiatives, taking into account the cumulative impact of EU legislation on companies as well as on annual EU Commission work programmes.

ACTION N°3: TURN THE GREEN DEAL INTO A REAL EU GROWTH STRATEGY

European business is fully committed to greening our economy and reaching the EU's climate neutrality ambitions. We need to reach this ambition while being economically successful so that companies have the means to invest in this deep-dive transformation. In order to ensure that the Green Deal becomes a growth strategy and delivers the fit for 55 targets for 2030 while strengthening competitiveness, it needs to be flanked by a real industrial strategy.

This industrial strategy will need to tackle critical bottlenecks such as complex and lengthy permitting procedures, go beyond the Net Zero Industry Act and facilitate investment in a broader range of sectors because decarbonising our economy will require transformative investments from all sectors and their value chains. Obstacles to market-based transformative investment need to be removed. Enhancing access to finance is key to improve investment conditions. State support can be justified to accompany companies in their transition, help building the necessary infrastructure, support innovation and scale up new technology. However, state aid needs to be well targeted, limited in time and carefully monitored to avoid distortions of competition.

The EU will also need to go beyond the on-going reform of the European electricity market design and address structurally the energy cost differential between the EU and major competitors.

ACTION N°4: REJUVENATE SINGLE MARKET INTEGRATION AND SCALE UP DIGITALISATION

The basis of Europe's prosperity lies in an internally competitive, well-functioning and resilient Single Market in goods and services, including digital. Remaining obstacles at national level, failure to transpose key EU legislation adequately and insufficient integration for services hampers the twin green and digital transition. Moreover, crisis related measures and derogations to Single Market rules have created new loopholes undermining the level-playing field in the home-market of our European companies.

EU legislation too often allows for differentiated transposition in EU member states and EU enforcement policy is lacking teeth against national requirements leading to Single Market fragmentation. The EU should strengthen the Better Regulation agenda with a Single Market test to avoid EU level proposals leading to market fragmentation. It should ensure that its Single Market regulatory regime either provides full harmonisation law or effectively applies country of origin principles, with mutual recognition among member states.

The EU will need to put in place a fully-fledged strategy to rejuvenate and further develop Single Market integration in goods and services, including digital. This strategy will have to address remaining obstacles to doing cross-border business in all areas and creating the conditions that will allow European SMEs and startups to scale up from Europe. As a general principle, it should privilege proper enforcement of existing Single Market rules on goods and services and only foresee new legislation when necessary to remove legal obstacles to free movement and cross-border business operations.

ACTION N°5: ADDRESS LABOUR SHORTAGES AND SKILLS MISMATCHES

More and more companies across Europe and in a variety of sectors are faced with skills gaps and recruitment problems. This is due to mismatches between skills acquired via education and training systems and enterprises' needs as well as an increase of the ageing and economically inactive populations. These labour shortages and skills mismatches have a negative effect for companies and society. If they are not addressed, they will reduce economic activity and weaken our competitiveness. The EU will become less attractive for investment and innovation. Our European social model will be threatened.

To preserve our European way of life, unleashing our productivity potential, addressing skills gaps and respecting the autonomy of social dialogue is essential.

The European Union will need to focus on addressing labour shortages and mismatches and move away from a predominantly regulatory and overly prescriptive approach to European social policy, often disregarding the principles of subsidiarity and proportionality. It will need to focus on social policy actions that are necessary for the good functioning of our Single Market such as common solutions for the recognition of qualifications and actions to remove barriers to free movement, as well as for the attractiveness of Europe as a place to invest, with a strong focus on vocational training. Balanced solutions can be achieved by allowing European social partners to agree on mutually beneficial solutions for companies and workers as well as by fully involving the social partners when defining EU policy measures.

ACTION N°6: ENSURE THE SUSTAINABILITY OF PUBLIC FINANCES

Due to the COVID crisis and to the war in Ukraine, there has been a marked increase in public debt both at EU level and in member states. To avoid adverse consequences for companies and citizens, it is essential to ensure that this debt is settled by growth rather than through an increase in taxation or further inflation.

Having a credible, respected, investment and growth-friendly economic governance framework is essential. Focussing on member states net primary expenditure can simplify the rules and help them to construct medium-term adjustment pathways to return to the reference values of 3% of GDP for government deficits and 60% for debt. However, such greater flexibility needs to go hand-in-hand with credible enforcement - linked to the possible withdrawal of EU funding - in order to ensure public finances sustainability across the EU.

The EU budget needs to be adequate to address common challenges. Higher than expected inflation has reduced its size in real terms and the EU needs the resources to properly support Ukraine and address new challenges. However, before increasing the EU budget, the EU should seek to improve the efficiency of EU expenditure. Moreover, it is crucial to ensure that any proposal to raise additional funds for the EU budget does not deter investment and does not have a direct or indirect adverse impact on companies' costs.

ACTION N°7: PREPARE FOR ENLARGEMENT

Last but not least, a key challenge to be tackled by the EU in 2024-2029 will be the preparation of the next enlargement. There are now eight recognized candidates for membership of the European Union: Türkiye, North Macedonia, Montenegro, Serbia, Albania, Moldova, Ukraine and Bosnia and Herzegovina. Preparing for this ambitious enlargement of the EU will not only be a question of succeeding in enlargement negotiations with each candidate country, assessing the progress-made in a merit-based approach, it will also entail a debate on necessary adaptations in the EU itself, with major governance and budgetary issues to be tackled.

BusinessEurope supports the European ambitions of the eight candidate countries and underlines the need to support them in their efforts to fulfil the requirements of EU membership. Moreover, as a strong advocate of a well-functioning European Union, we look forward to contributing to the debate on the implications for the governance of the EU.

TO CONCLUDE

European companies are eager to contribute to ensuring Europe's success. Companies need a strong European Union to be successful and a strong European Union hinges on successful European companies. BusinessEurope urges European political parties to take on board what companies need to continue to be successful, acknowledge that competitiveness is the basis to achieve Europe's political, economic, environmental and social goals. We count on them to ensure that the European Union takes the necessary measures to improve Europe's economy.

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BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.

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Germany	Greece	Hungary	Iceland	Iceland	Ireland
Italy	Latvia	Lithuania	Luxembourg	Malta	Montenegro
Norway	Poland	Portugal	Rep. of San Marino	Romania	Serbia
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Avenue de Cortenbergh 168
B - 1000 Brussels, Belgium
Tel: +32(0)22376511 / Fax: +32(0)22311445
E-mail: main@businesseurope.eu

WWW.BUSINESSEUROPE.EU

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