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Giving the right answers to Europe's competitiveness challenges – How to make Europe the place to be for industrial investments creating growth and quality jobs

Tripartite Social Summit, Brussels, 22 March 2023

Address by Fredrik Persson
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Dear Presidents,
Dear Prime Minister,
Dear Ministers,
Dear Executive Vice-President Dombrovskis and Commissioner Schmit,
Dear colleagues,

European companies are now faced with the asymmetric shock of the consequences of the war in Ukraine and incentives and subsidies by key trading partners are redirecting private investment away from Europe. European leaders urgently need to define and implement a strong and ambitious long-term competitiveness strategy for the European Union.

BusinessEurope's Reform Barometer 2023 shows that 90% of our members consider that, compared to our global competitors, the EU investment environment is less favourable than 3 years ago.

Foreign Direct Investment flows to the EU in 2021 fell by 66% compared to 2019 while the US experienced an increase by 63%. And the figures for greenfield investment point in the same direction (- 15% in the EU between 2021 and 2022 vs + 18% in the US).

Many companies think about investing outside the EU and the examples that become public are only a fraction. Two long-term challenges are pushing investment away from the EU:



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- significantly higher regulatory burden for companies;
- long-term energy price rises well above major competitors (wholesale gas prices for summer 2025 are trading at over 4 times their pre-covid level in the EU vs less than twice in the US).

For BusinessEurope, there are **4 key ingredients** that need to be included in the EU competitiveness strategy.

Key ingredient n°1: less and better-quality legislation

The European Commission must live up to its commitment to carry out top quality competitiveness checks on all EU regulatory initiatives, taking into account the cumulative impact of EU legislation, as well as to its pledge to reduce reporting requirements for companies by 25%. And we need a fully-fledged programme to simplify the regulatory framework in our European single market!

Member states must do their part but the EU institutions cannot shy away from their own responsibilities in this field. Many of the national laws affecting the competitiveness of our companies implement EU legislation. Avoiding over-burdensome requirements or unnecessary revisions of EU legislations is a crucial part of the answer.

Key ingredient n°2: secure energy supply at competitive prices

Energy markets were already under pressure before the invasion of Ukraine by Russia. Wholesale gas prices increased in the EU by over 1100% between 2019 and their peak in 2022 (compared to increases of around 200% in the US and 100% in Japan during the same period).

To reach the ambitious European climate targets and at the same time guarantee security of supply, the EU must have a future-proof electricity market. Offering more hedging opportunities through long-term contracting is a good way to reduce the influence of gas price swings on electricity prices. It could also be a swift way to deliver an electricity market design reform that supports competitiveness.

Key ingredient n°3: a broad industrial strategy flanking the Green Deal

The Green transition offers strong business opportunities. However, there are also serious risks of de-industrialisation if we don't get it right. The Green Deal Industrial plan can be a first step but a much broader industrial strategy is required. All industrial sectors need to be part of the transformation.

The European Council, the European Commission, and the European Parliament need to go beyond simplifying or fast-tracking permitting for the limited range of sectors targeted by the proposed Net-Zero Industrial Act.



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They need to open more market opportunities for our companies internationally through more trade agreements as well as within the single market by removing barriers. And public authorities must work with the social partners to address the skills gaps which are holding us back.

Key ingredient n°4: well calibrated state aid rules

Europe's competitiveness cannot be built on subsidies, but targeted state aid can be justified, in particular, to accompany the green transition. The Temporary Crisis and Transition Framework should remain a short-term measure, and, like all EU state aid instruments, it needs to be carefully calibrated to preserve the level playing field in the single market.

Ladies and gentlemen,

Public authorities cannot shy away from the challenging part of the recipe to deliver a successful long-term competitiveness strategy. We need concrete actions to reduce the cost of compliance with European regulation and address energy costs differentials with our main trading partners. We need to do this now! Every day lost increases the risk of investment leakage out of Europe.

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