

13 September

CEOE event - “Strategic vision to strengthen Europe’s economic security and global leadership in this decade” – a business perspective.”

Speech by Fredrik Persson, President of BusinessEurope

SPEAKING POINTS

Dear Prime Minister Pedro Sanchez,

Dear Antonio Garamendi, President of CEOE and Vice-President of BusinessEurope

Esteemed colleagues, ladies and gentlemen

- First let me start by praising this very timely initiative from CEOE together with the Spanish Presidency and a special thanks to Antonio Garamendi for inviting me to be here.
- In the last years we have been overwhelmed by the speed of crises and events from COVID 19 to the brutal invasion of Ukraine by Russia. Sometimes it feels that we are constantly in a reaction mode, unable to plan and think strategically about our future as Europeans. That is why today’s discussion is so important.
- The world is changing fast and companies need to adapt to numerous challenges. Just to mention a few: (a) increasing geopolitical tensions leading to stronger emphasis on security and a greater role of the state in the economy, (b) the green and digital transformations, (c) the fierce competition for natural

resources and advanced technologies and (d) the difficulties to access skilled labour.

- These challenges can become opportunities and they can even contribute to make Europe more competitive and stronger in the world. But we need to make the right strategic decisions now and we need to find solutions that are workable for business and the economy.
- So let me go a bit deeper in what we see as **three major conditions** to have an European economy that is more secure, competitive and resilient while maintaining a strong position in the world.

First condition- We need an investment-conducive regulatory environment.

- Whenever I speak to colleagues there is a general agreement that the investment environment in Europe is less favourable than it used to be 3 years ago and less favourable if compared to our global competitors.
- Energy is a good example. Although energy costs are not at their highest level, they remain higher than most of our competitors. It is a fact that wholesale gas prices have been more stable but they are still traded 5 to 6 times higher than those in the US. The reality is prices are not going to come down to pre-crisis until 2026/2027. The on-going reform of the European electricity market design can help a bit, by supporting long-term contracting and thereby reduce the influence of gas price swings. But if the energy cost differential between the EU and major competitors is not structurally addressed, it will continue to have serious consequences for the competitiveness of our businesses.
- The other major factor negatively impacting the business sentiment in Europe is the flurry of regulations to implement the green and digital transformations.

The EU is generating 'regulatory inflation' for companies. These regulations come with many obligations, including substantial reporting requirements and sometimes very broad definitions that increase the sense of unpredictability and uncertainty. This is an even bigger problem for SME's that struggle with resource constraints.

- The on-going work in the European Commission to reduce reporting requirements for companies by 25% is a good step, but we need to go beyond and have a true debate and firm actions to stop this regulatory tsunami and the micro-management of companies that comes with it.
- Regulations should not stifle investment and innovation. They should have a positive impact in the economy and they should promote public-private partnerships that support the green and digital transformations.
- In this context, we also need to speed up permitting procedures in Europe to ensure investors are not drawn in paperwork. Therefore, we welcome the good steps taken in the Net Zero Industry Act. We would like however to see the whole value chains linked to net-zero technologies and the broader range of sectors of our economy benefitting. Decarbonising our economy will require transformative investments from all sectors and their value chains.

Second condition- to be more resilient Europe needs to remain open.

- An ambitious trade policy that promotes better access, both for imports and exports, is fundamental to mitigate current geopolitical risks and increase Europe's resilience and strategic autonomy through market diversification.
- The EU is only 6% of the world population. 85% of the economic growth in the coming years will be generated outside the EU. It is short sighted to think that we will be stronger from an economic or political point of view if we turn our

back to the world and become self-sufficient. On the contrary we would become poorer, less competitive and weaker in the world scene.

- The EU must pursue a positive and active trade agenda, focused on concluding trade agreements that offer access to new markets and open investment opportunities. We hope that the agreements with New Zealand, Chile, Mexico, Australia and Mercosur will become a reality during this institutional cycle. And we must accelerate with India and ASEAN countries.
- These agreements are important from an economic but also from a geostrategic point of view. The additional access they offer to critical minerals (e.g. looking at Chile, Mercosur and Australia) and other inputs including energy, will help diversify sources and strengthen the resilience of our supply chains.
- The EU also needs to remain engaged 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. And we should not be promoting further divisions between the G7 and the rest of the world. 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 and the support of the Global Gateway.
- Openness is also key for the EU's single market. We see a tendency for fragmentation and the rise in internal barriers due to different rules across the EU. The Due Diligence legislation that we are currently discussing is a clear example. We have already legislation in France or in Germany that is not exactly the same. Legislation at EU level only makes sense if the aim is to harmonise.

Third condition- we must strike the right balance between protecting our security and safeguarding our economy.

- Security threats are on the rise from cyber-attacks to the theft of technology that can be used both for military and civil purposes. We have a war in our continent and since then risks have become more significant and real.
- The EU must protect itself against these security risks while maintaining a conducive environment for trade and investment in the Single Market and in third markets.
- The recent Commission communication on Economic Security is a welcome initiative to kick off the debate on this important topic. Business is very keen to engage and contribute to the discussion on the different proposals that were announced such as the identification of the list of critical technologies.
- Any new initiative in this area must be proportionate and targeted, to address well-defined risks. Without entering in details, I would like however to mention the case of an outbound investment mechanism. We need to have an open and frank discussion about possible risks and verify our - European - interests before taking further action. From the outset, we would argue for a well-targeted initiative that should only be used as last resort, when serious security concerns are effectively proven.
- Security of supply is fundamental for our “open strategic autonomy” especially when it comes to energy or raw materials. The world competition to access these resources is increasing and this creates additional pressure in the markets. We have witnessed first-hand the impact of overreliance in one supplier in the case of Russian gas. I am confident that in the future we will look at different options and engage with the broadest possible range of partners.

- In this context we very much welcome the Critical Raw Materials Act (CRMA). This is an ambitious initiative seeking to secure sustainable access to critical and strategic raw materials for business in Europe. It supports different options to secure supply by promoting extraction, processing and recycling, and by strengthening trade and investment relations with different partners.
- Despite being a good basis, the CRMA could be made more efficient and workable from a business perspective. Without compromising quality, we can expedite the permitting procedures as well as the environmental impact assessments and have an effective instrument without increasing the administrative burden for companies. Finally, strengthening the EU's raw materials diplomacy is important as the EU will continue to depend on external suppliers.

Let me conclude by saying that a resilient Europe needs dynamic and competitive companies. We are ready to play our part, but we need a regulatory framework that stimulates innovation and investments in Europe. Thank you!