

REBOOT EUROPE

STRONGER BUSINESSES,
STRONGER EUROPEAN UNION



STRONG COMPANIES



STRONG EU

To deliver for society, the European Union needs strong companies as much as European companies need a strong European Union to succeed.

Our companies are committed to playing their role in society by

- ✓ producing quality goods and services at affordable prices,
- ✓ creating productive and fulfilling jobs,
- ✓ contributing to the financing of necessary public services and infrastructure,
- ✓ innovating and delivering enabling technologies for the green and digital transitions.

Unfortunately, they are held back by

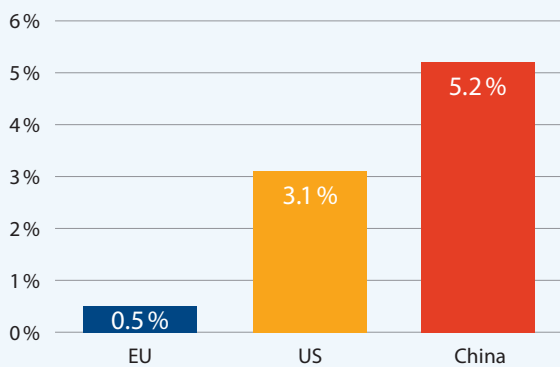
- ✗ high energy costs,
- ✗ excessive regulation,
- ✗ lengthy permitting procedures, and
- ✗ skills and labour shortages.



THE EU ECONOMY IS LOSING GROUND



GDP growth in 2023 Source: Eurostat



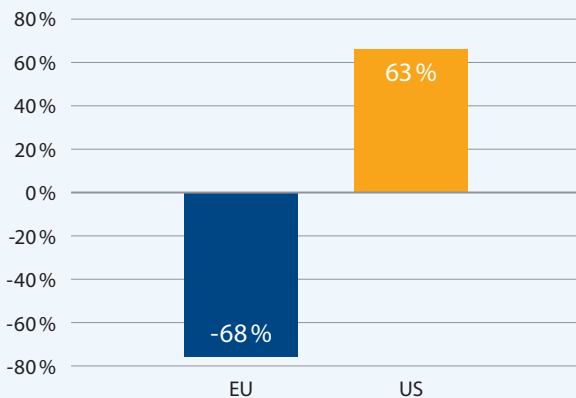
The European economy is falling behind. In 2023, the EU GDP grew by 0.5% only vs 3.1% for the US and 5.2% for China.

Having a strong economy is a prerequisite to defend our European way of life and European interests abroad.

The EU needs to put competitiveness at the forefront because it is the basis for growth, employment, investment in the green and digital transitions, as well as in infrastructure, security, social protection, etc.

FDI evolution 2019-2021

Source: BusinessEurope Reform Barometer 2023



In 2019-2021, foreign direct investment decreased by 68% in the EU vs an increase by 63% in the US, and greenfield investment in the EU fell by 15% vs an increase by 18% in the US in 2021-2022.

Europe's investment needs are huge. The green and digital transitions alone require around €650 billion per year from 2021 to 2030. Both public and private money is needed. Improving the investment climate in Europe is an essential part of the answer.



POLICY CHANGES ARE NEEDED

BusinessEurope is calling for a REBOOT in European policies, building on EU achievements, with targeted actions to tackle the structural weaknesses that are undermining companies' efforts to deliver for people.

POLICY CHANGES AIMING AT SOUND ECONOMIC, SOCIAL AND ENVIRONMENTAL PROGRESS IN A:

RESILIENT EUROPEAN UNION WITH
ENERGY AT AFFORDABLE PRICES
BBETTER AND SIMPLER REGULATION
OPEN AND RULES-BASED TRADE LEADING TO MORE
OPPORTUNITIES FOR COMPANIES AND PEOPLE
IN THE SINGLE MARKET THROUGH
TECHNOLOGICAL INNOVATION AND
TALENT DEVELOPMENT



A RESILIENT EUROPEAN UNION



During the last 5 years, the European Union has focused on dealing with the Covid crisis, the war in Ukraine and regulating the green and digital transitions. During the next cycle, the EU will need to focus on improving Europe's competitiveness and attractiveness as a business location by:

- Pursuing an ambitious trade agenda as there cannot be strategic autonomy without openness:
 - striking the right balance between ensuring security and
 - enabling the European economy,
- Reducing the regulatory burden weighing on European companies and hampering innovation,
 - simplifying reporting requirements,
 - speeding up approval and permitting procedures,
- Flanking the Green Deal with an Industrial Deal so that it becomes a real growth strategy delivering:
 - the EU's climate neutrality ambitions,
 - economic success and
 - the means to invest in this deep transformation,
- Rejuvenating our Single Market:
 - ensuring a level playing field,
 - removing obstacles to doing cross-border business in all areas, and
 - creating the conditions that will allow European startups to scale up from Europe,
- Moving away from a regulatory approach to social policy:
 - promoting mobility,
 - addressing labour shortages and skills mismatches,
 - respecting subsidiarity and
 - developing social dialogue across Europe,
- Restoring the sustainability of public finances, ensuring that public debt is settled by growth:
 - facilitating investment in Europe,
 - pursuing growth-friendly and easy-to-comply-with tax policies,
- Preparing for the next enlargement:
 - taking a merit-based approach,
 - supporting the nine candidate countries in their efforts to fulfil the requirements of EU membership, and
 - making the necessary adaptations in the EU itself.

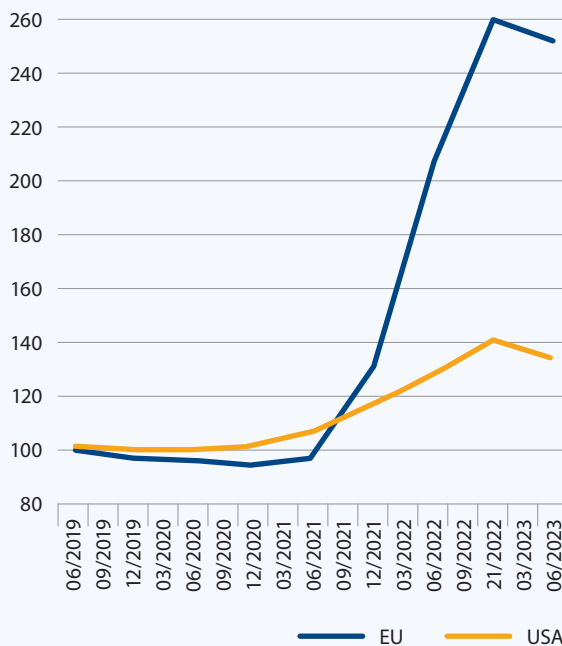




ENERGY AT AFFORDABLE PRICES

Industrial energy prices Index = S1 2019

Source: BusinessEurope staff calculations based on Eurostat and U.S. Bureau of Labour Statistics



Industrial energy prices have risen more sharply in the EU than in the US in recent years. Both industrial electricity and gas prices remain more than double their pre-Covid levels in the EU compared to average increases of around 30% in the US, according to the latest official data (June 2023).

During the next cycle, the EU will need to go beyond the reform of the European electricity market design and address structurally the energy cost differential between the EU and major competitors.

It will need to put in place a real EU energy strategy that optimises the conditions for public and private investment in:

- ▶ production of affordable low-carbon and renewable energy in Europe,
- ▶ infrastructure that facilitates cross-border energy trade such as grids and interconnectors and storage,
- ▶ technologies that enable climate mitigation and sustainability.

Furthermore, this strategy should diversify our energy sources, including transition sources, and build partnerships with third-country providers.

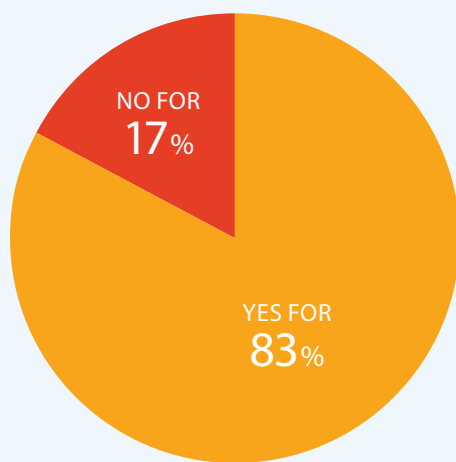


BETTER & SIMPLER REGULATION



The complexity and duration of permitting is an obstacle to investing in Europe

Source: BusinessEurope survey of 240 companies on industrial permitting in Europe



Regulatory inflation brings major reporting and compliance costs for European companies and is particularly damaging for SMEs. In 2022, proposals under the Green Deal alone represented a total of almost €2 billion of additional administrative burden. Permits delays are also considered to be an obstacle to investing in Europe by 83% of companies, according to a recent survey by BusinessEurope.

During the next cycle, the EU will need to go beyond the work started to reduce reporting requirements for companies by 25%, put industrial permitting at the top of the agenda and develop an Omnibus proposal to reduce burden by eliminating contradictions and unnecessary complexity in EU legislation.

Looking forward, it should change approach:

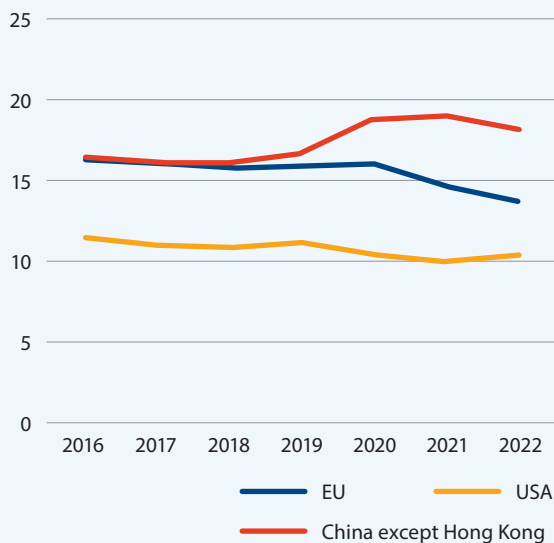
- › moving away from over-reliance on regulation and better valuing other policy tools,
- › improving the quality of legislation by refraining from micro-managing companies and fully implementing better regulation principles and tools,
- › systematically carrying out competitiveness checks, SME tests and quality impact assessments, taking into account the cumulative effect of regulation,
- › stop proposing unnecessary revisions of existing EU legislation.





OPEN & RULES-BASED TRADE

Share of global exports Source: Eurostat



With 5% of the world population, the EU accounts for 16.2% of world trade and is the first trading partner of 80 countries in the world. However, the EU's share in global exports is declining. Having peaked at 16.3% in 2016, it fell to 13.7% by 2022. We remain ahead of the US but the gap with China is increasing (18.2% of global exports) and as 85% of economic growth in the coming years will be generated outside the EU, we will not become stronger by turning our back to the world.

During the next cycle, the EU will need to carefully calibrate economic security measures to avoid a negative impact on Europe's competitiveness, and refrain from overloading trade agreements with the pursuit of other policy objectives.

As there cannot be strategic autonomy without openness, it will need to ensure implementation of existing trade agreements, making sure they remain effective and stand the test of time, also finalise the agreement with Mercosur as well as other ongoing negotiations and open new ones to improve market access and investment opportunities for European companies throughout the world.

The EU should continue to cooperate closely with the US, which is our first trading partner, ensuring that it brings satisfactory solutions to transatlantic trade irritants.

As de-risking takes time, the EU should not only engage with like-minded partners but also work for a balanced relationship with Europe's second trading partner - China, ensuring a level playing field and defending Europe's economic interests, using all available trade defence instruments.

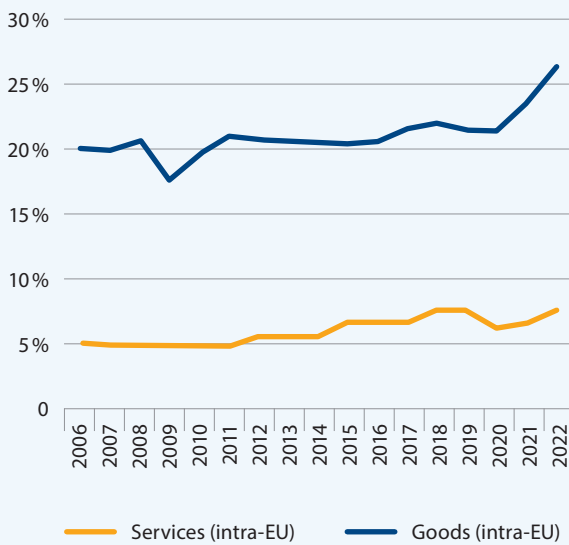




OPPORTUNITIES IN THE SINGLE MARKET

Intra-EU flows as a share of total EU GDP

Source: Single Market Scoreboard



Serving over 450 million consumers and home to more than 23 million businesses offering jobs to EU citizens, the Single Market is the backbone of the EU economy but its integration is stagnating. Intra-EU trade in goods, which represented 20% of European GDP in 2006, only increased by 6 percentage points by 2022 (accounting for 26% of GDP). Intra-EU services which represented 5% of European GDP in 2006 still only contributed to a modest 8% of GDP in 2022. Delivering a fully-fledged Single Market strategy removing regulatory barriers and reducing bureaucracy could unleash €713 billion by the end of 2029.

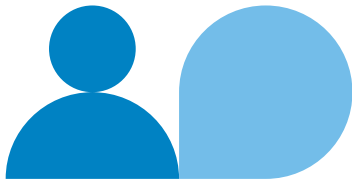
During the next cycle, the EU will need to put in place a fully-fledged strategy to rejuvenate and further develop Single Market integration in goods and services, including for digital and defence.

This strategy will have to remove obstacles to the free movement of goods, persons, services, capital and data, and create 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 in order to ensure a level playing field, and only foresee new legislation when necessary to remove legal obstacles to free movement and cross-border business operations and workers mobility.

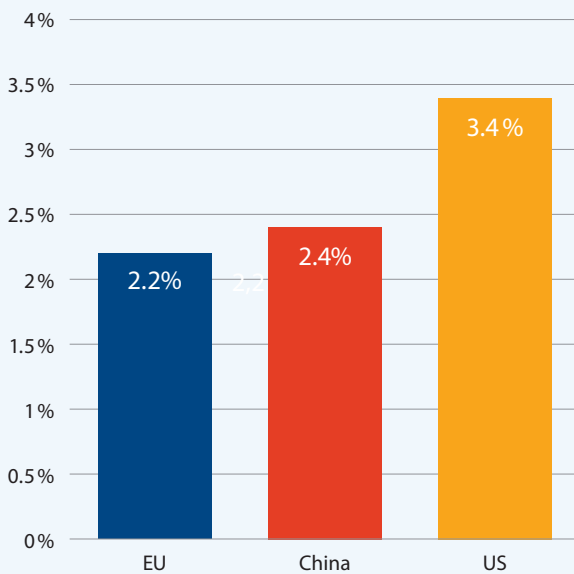
To avoid fragmentation, EU Single Market regulation should either provide full harmonisation or apply country-of-origin principles, with mutual recognition among Member States.





TECHNOLOGY & TALENT DEVELOPMENT

GDP invested in research and innovation in 2021 Source: World Development Indicators



The EU is a global leader in high-tech exports, which rose by almost 50% in just 10 years but cannot be complacent. The EU invests about €330 billion in research and innovation per year. With 2.2% of EU GDP invested in research and innovation in 2021, we are lagging behind the US (3.4%) and have been overtaken by China (2.4%).

During the next cycle, the EU will need to invest more in research and innovation, as well as improve the innovation-friendliness of its regulatory framework by ensuring it supports reasonable risk-taking and creating regulatory sandboxes to allow experimenting.

It will need to defend intellectual property and deliver a real Capital Markets Union to boost private investment in innovation and encourage companies to stay in Europe to scale up.

It will need to focus EU social policy on helping to tackle labour shortages and skills mismatches, with education and training measures, paying special attention to the skills required for the green and digital transitions and policies to activate unemployed and inactive persons.

It will need to implement the Skills and Talent Mobility package to attract needed skilled workers from third countries and make further proposals to simplify administrative procedures that employers have to undertake to hire third-countryworkers.



REBOOT EUROPE

These are the policy changes that BusinessEurope deems essential to build a:

- R**ESILIENT EUROPEAN UNION WITH
- E**NERGY AT AFFORDABLE PRICES
- B**BETTER AND SIMPLER REGULATION
- O**PEN AND RULES-BASED TRADE LEADING TO MORE
- O**PPORTUNITIES FOR COMPANIES AND PEOPLE IN THE SINGLE MARKET THROUGH
- T**ECHNOLOGICAL INNOVATION AND TALENT DEVELOPMENT

These are the policy changes that are needed to allow competitive businesses to contribute to a strong European Union that delivers an economically successful green and digital transition and stands up for European values and interests in the world.



BUSINESSEUROPE



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.

 FEDERATION OF AUSTRIAN INDUSTRIES	 Federation of Enterprises in Belgium	 BULGARIAN INDUSTRIAL ASSOCIATION Union of the Bulgarian Business	 CEA Croatian Employers' Association	 OEB	 CONFEDERATION OF INDUSTRY OF THE CZECH REPUBLIC
Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic
 CONFEDERATION OF DANISH EMPLOYERS	 Danish Industry	 ESTONIAN EMPLOYERS' CONFEDERATION	 Confederation of Finnish Industries	 French Business Confederation ACTING FACTORS FOR A RESPONSIBLE GROWTH	 BDA DIE ARBEITGEBER
Denmark	Denmark	Estonia	Finland	France	Germany
 BDI	 Hellenic Federation of Enterprises	 MOLNOSZ BUSINESS FEDERATION	 samtok atvinnulifins	 SI	 Ibec FOR YOUR BUSINESS
Germany	Greece	Hungary	Iceland	Iceland	Ireland
 CONFINDUSTRIA	 EMPLOYERS' CONFEDERATION OF LATVIA	 Lithuanian Confederation of Industrialists	 FEDIL The Working (Lombard) Industry	 THE MALTA CHAMBER	 CENTE GOJE MONTENEGROAN EMPLOYERS FEDERATION
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