



**BULGARIAN  
INDUSTRIAL  
ASSOCIATION**

**SUPPORTING BULGARIAN BUSINESS SINCE 1980**

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# BIA's priorities for the Bulgarian MEPs

## European Parliament 2024-2028

On the eve of the European Parliament elections, which will be held on 6-9 June 2024, the Bulgarian Industrial Association - Union of Bulgarian Business, the Bulgarian member of BusinessEurope (*representing small, medium and large enterprises from 36 European countries through its 42 member federations*), calls on the candidates for representatives of Bulgaria in the European Parliament, belonging to all European political families, to commit to work **to strengthen the European economy, increase the attractiveness for investment and competitiveness of the companies.**

## Key priorities:

- 1 Increase EU competitiveness and investment attractiveness**
- 2 Industrial strategy for a green transition**
- 3 Make the European Single Market work effectively**
- 4 Ensure enabling conditions for digital transformation**
- 5 Adequacy of regulation of new technologies**
- 6 Reduce the regulatory burden on companies**
- 7 Fair EU social policy**
- 8 Tackle labour shortages and skills mismatches**
- 9 Sustainability of public finances**

## INCREASE EU COMPETITIVENESS AND INVESTMENT ATTRACTIVENESS

The attractiveness of the EU as an investment destination is declining. Between 2019 and 2021, **foreign direct investment in the EU decreased by two-thirds, while in the US it increased by two-thirds**, and the number of greenfield investment projects in the EU decreased by 15% between 2021 and 2022, compared to an 18% increase in the US. Bulgaria is no exception to this trend, with FDI levels having fallen dramatically since 2007. While they averaged 14.1% annually between 2000 and 2008, they fell significantly to just 3.2% annually between 2010 and 2019, holding their level to just over 3% in the years since.

**That is why the EU must put competitiveness at the forefront of its agenda in the next political cycle.** The combination of the EU's unresolved structural weaknesses from before the crisis, geopolitical tensions, an increasingly fragmented world in which **third countries are less and less willing to follow the EU's regulatory example** and the rules-based multilateral order is under question, create the conditions for a perfect storm.

EU citizens represent only 6% of the world's population and **85% of economic growth in the coming years will be generated outside the Union.** The EU will need to continue to conclude trade agreements that offer access to new markets and open up investment opportunities for European companies. These agreements create the possibility of additional access to important raw materials and other resources, including energy, and this will help to diversify and strengthen the sustainability of our supply chains. Europe will need to find ways to engage with all trading partners. Sustainability targets should not lead to a 'de facto' closure of the EU market.

Increasing **ESG** (environmental, social and corporate governance) regulations imposes extensive requirements and implementing all obligations by companies across the Union will require a great deal of effort. The EU must avoid putting the single market at a competitive disadvantage compared to other regional economies around the world, and also prepare for future enlargements of the Union, which entails the need for companies to have sufficient time and opportunity to align their activities and comply with the rules without continuing to create additional obligations. Accordingly, the European Parliament, representing the voice of citizens and businesses in the Member States, must do its utmost to ensure a stable business environment and regulatory framework to retain the investments already made, to prevent further capital flight to other regions of the world, and to encourage current and future third-country trading partners to pursue the same ambitious ESG objectives.



## INDUSTRIAL STRATEGY FOR A GREEN TRANSITION

**The European Green Deal** was announced as the EU's new growth strategy. For five years, the European Union has focused on regulating the green and digital transition, expecting the rest of the world to follow suit. In the new political mandate, the **EU needs to rethink its ambitious goals and ensure that the implementation of the dual transition actually leads to economic growth and not overregulation.** To ensure that the implementation of the **European Green Deal**, in addition to achieving the 'Fit for 55' and 2030 targets, also strengthens competitiveness, it must **implement an effective industrial strategy** aimed at moving away from complex and time-consuming permitting procedures towards enabling investment in a wider range of sectors.

**Decarbonising** the economy will require **transformative investments** from all sectors and their value chains. **Barriers** to market transformative investment **must be removed.** Improving **access to finance** is the key to improving investment conditions. State support can be justified to accompany companies in their transition, help build the necessary infrastructure, support innovation and scale up new technologies. However, State aid must be well-targeted, time-limited and carefully monitored to avoid distortions of competition.

Bulgaria's representatives in the European Parliament should defend the interests of citizens and businesses by working to prioritise a pragmatic approach to the Union's regulatory framework, based on evidence and best practices, rather than unquestioningly pursuing ambitious targets. The outcome of the work of European legislators should stimulate investment in sustainable solutions related to access to energy resources, environmental and social impacts, and the digitalisation of European economies, without dividing businesses and by giving all industries that make an effort and achieve real results in terms of environmental and social impacts an equal chance of representation in the governance of sustainable development processes.

Policies and regulations stemming from the Union's environmental objectives present farmers with the serious challenge of rising production costs, loss of markets and loss of competitive position. In the next policy cycle, the impact of achieving environmental objectives in agriculture must be assessed with a view to the sector's long-term competitiveness and ensuring food security. This also applies in the case of negotiations on agricultural trade agreements between the EU and third countries.

## MAKE THE EUROPEAN SINGLE MARKET WORK EFFECTIVELY

The EU needs to focus on enforcing existing single market rules and create a new dynamic to remove barriers to cross-border mobility of people, goods, services, capital and data. **For Bulgarian business, joining the Eurozone in 2025 and abolishing border controls at land borders within the Schengen area remains a key priority to enable companies to take advantage of the opportunities of the European Single Market.** Bulgaria is geographically distant from the heart of Europe and any additional requirements represent additional barriers to business competitiveness.

The internal market represents one of the EU's greatest achievements and yet it remains fragmented. There are still national examples of **protectionism and the creation of administrative barriers** to the entry of Bulgarian entrepreneurs into the market of other Member States. According to the European Commission's study, around 60% of the barriers to the single market for services identified in 2002 still exist today, more than 20 years later. EU-wide trade integration is significantly lower for services than for goods (6% vs. 22%) and is particularly low for services in the construction sector (only 1%). Decisive measures are needed to encourage Member States **to remove barriers to the functioning of the Internal Market**, including the development of a European market in public procurement, and a sectoral approach can be an effective means to this end.

## ENSURE ENABLING CONDITIONS FOR DIGITAL TRANSFORMATION

The EU should continue its efforts to create an environment for the development of business and services for citizens in a **digital environment**. The lack of the necessary infrastructure, e-government, and connectivity of business registers continues to be a barrier to unlocking the full potential of the Internal Market and limits the ability of companies to innovate and add value.

**The digital economy** is an essential tool for unlocking the full potential of the Single Market. The digital transformation of the European economy and the empowerment of local communities as drivers of economic growth require **significant investment in infrastructure** and digital skills. Technologies such as 5G (6G in the future), the Internet of Things, web 3.0, edge-cloud computing and

artificial intelligence will create entirely new economic opportunities. Europe needs to create an enabling environment for **digital innovation**.

The introduction of the digital euro also has great potential. The rapid process of technological innovation in the financial sector has led to the gradual development of digital currencies by central banks around the world. As noted in Enrico Letta's report on the future of the Internal Market, the digital euro can offer European citizens and companies the freedom to pay (and be paid) with a single, public, and secure and widely accepted public solution across the Eurozone. Unlike existing payment methods, it will cover everything from online transactions to in-store purchases and peer-to-peer transfers, both online and offline, and facilitate cross-border trade.



## ADEQUACY OF REGULATION OF NEW TECHNOLOGIES

Addressing the mismatch between the rapid advancement of technology and its legal regulation is necessary to ensure the privacy and protection of consumer rights, cybersecurity, fair competition and the ethical use of emerging technologies, such as artificial intelligence and biotechnology, in terms of their impact on the economy, society and individual rights. At the same time, **technology regulation must not become an end in itself and lead to over-regulation and restrictions** that evolve into obstacles to innovation and create hindrances to the development and competitiveness of Europe's most innovative businesses.



## REDUCE THE REGULATORY BURDEN ON COMPANIES

According to BusinessEurope, 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, together with ambitious targets and multiple obligations, creates an additional burden for companies. This **regulatory inflation** carries high reporting and compliance costs for European companies and is particularly damaging for SMEs. Regulations must not hinder investment and innovation. A pragmatic approach to the design and subsequent proper implementation of the European regulatory framework by avoiding over-regulation should be a priority in the European Parliament's 2024-2028 legislative work. The EU must fully respect the principles of subsidiarity and proportionality to ensure the smooth functioning of the common market.

The European Parliament, together with other EU institutions and Member States, will need **to reduce regulatory barriers to investment, production and commercialisation of innovation in Europe**. The announced 25% reduction in company reporting requirements is a good first step, but the **European Union** will have **to go far beyond this, to stop trying to micromanage companies** and put the principles and tools of better regulation into practice.

The EU must carry **out a competitiveness impact assessment of all new regulatory initiatives**, taking into account the cumulative impact of EU legislation on companies, as well as on the Commission's annual work programmes.



## FAIR EU SOCIAL POLICY

EU action on social policy must be seen in the wider context of strengthening competitiveness. The social dimension cannot happen without a sound economic basis. The EU already has extensive labour market and social legislation. Member States need to be given sufficient time to implement it properly. To increase competitiveness, Member States need to implement structural reforms that raise employment rates and access to skills and labour and create conditions for flexibility in labour markets. This is a key prerequisite for ensuring the sustainability of social protection systems. A balance must be maintained between the ability of companies to innovate, transform and be creative and the protection of workers. Excessive regulation of different forms of work organisation, such as teleworking and platform working, should be avoided.



## TACKLE LABOUR SHORTAGES AND SKILLS MISMATCHES

More and more companies in Europe and in different sectors are facing skills shortages and recruitment problems. This is due to the mismatch between the skills acquired through education and training systems and the needs of enterprises, as well as demographic processes linked to the increase in the ageing and economically inactive population. Demographic indicators in the EU and Bulgaria will also be a huge challenge in the coming legislative period. Strategic issues related to the labour market, healthcare systems in Member States and regional differences will also have to be taken into account. These issues affect Bulgarian businesses and citizens even

more because of the shrinking working-age population, the record high levels of socially significant diseases in Bulgaria and early mortality.

Labour shortages and skills mismatches have a significant negative impact on businesses and society. If not addressed, they will reduce economic activity and weaken our competitiveness.

In the next policy cycle, the EU should move away from new social policy regulations towards measures aimed at tackling labour shortages, including common solutions for the **recognition of qualifications** and action to remove barriers to free movement, as well as making Europe an attractive place to invest, with a **strong focus on vocational training**. Balanced solutions can be achieved by enabling the European social partners to agree on mutually beneficial solutions for companies and workers, and by fully involving the social partners in defining EU policy measures.

Coordination in the field of social security needs to be improved. On the one hand, to facilitate the cross-border mobility of people, but, on the other, to put an end to the opportunities for abuse and drainage of social funds in the Member States. We support the full digitisation of the exchange of social security information between Member States, including the creation of a European electronic health insurance card as part of the wider European Digital Identity framework.



## SUSTAINABILITY OF PUBLIC FINANCES

The EU needs to create the conditions to pay down public debt through growth and to incentivise companies and citizens to produce goods and deliver services that will increase our GDP after 5 years of increasing state intervention in the economy which has led to a significant increase in public spending. The EU budget must be adequate to meet the common challenges. However, before proceeding to increase the EU budget, it is necessary to work towards improving the efficiency of spending. Furthermore, it is crucial to ensure that proposals to increase the EU budget's additional resources do not hamper investment and do not have a direct or indirect adverse impact on companies' spending.





About us:

***Bulgarian Industrial Association – union of the Bulgarian Business (BIA)*** is a representative organisation of employers on a national level, representing companies across all economic sectors in Bulgaria. Our membership base is comprised of more than 120 branch organisations, 26 regional and 115 municipal business associations, more than 8000 direct member companies, the Bulgarian Academy of Sciences and over 20 universities. At the European level, BIA is a member of BusinessEurope (the Confederation of the European business). We also have a representative in the European Economic and Social Committee which is the advisory body to the Council, European Commission and the European Parliament – a role envisaged in the EU treaty for organised civil society organisations.

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