



REFORM GROWTH IN THE EU

TRIO-BUSINESS
RECOMMENDATIONS



PREFACE

On the occasion of the EU trio-presidency of Poland, Denmark and Cyprus, the respective industry and employer federations present their recommendations for putting the EU back on the growth track. A strong European business environment is the foundation of prosperity and developed welfare systems throughout Europe. The removal of tariff and non-tariff barriers has increased Community trade and further demonstrated the importance of economic cooperation.

The European integration process has been vital for growth and job creation in our nations and will in the near future play an even more important role for Europe to sustain its position as a global market leader.

Tremendous challenges are piling up for Europe. They must be met quickly and in unity. The economic crisis has developed into a debt crisis which is limiting prospects for growth. Great demographic changes are challenging productivity and public finances. And new trends in global trade and investment are putting pressure on Europe's position in the global economy.

It goes without saying that stable financial markets are decisive preconditions for companies' investments in innovation, new technologies and competitive production. Thus, strengthening the framework for economic governance and achieving sustainable economies in the European Union are necessary steps towards growth rates that correspond to development in other regions of the world.

Enhanced cooperation continues to be a precondition for European competitiveness in the era of globalisation. We need the EU to push this process forward by forming a legal framework that stimulates European companies to grow. However, the strength of the EU fully relies on the commitment and willingness of Member States to put aside narrow domestic interests.

The economic crisis has led to major steps forward in the European integration process. Let the European Council conclusions show the path for Member States to implement the necessary national reforms constituting the economic foundation for the growth investments outlined in the EU2020 Strategy.

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The Single Market

THE EUROPEAN CHALLENGE

The single market is often referred as the most important achievement in the EU. And with good reason. It has increased the EU's prosperity by more than 2 per cent of GDP and created millions of new jobs. It has increased competition, reduced prices and stimulated innovation throughout Europe. Most important the single market, with its 500 million citizens, constitutes an indispensable region for international investments and trade which is going to be a decisive factor for Europe in global competition for wealth and welfare.

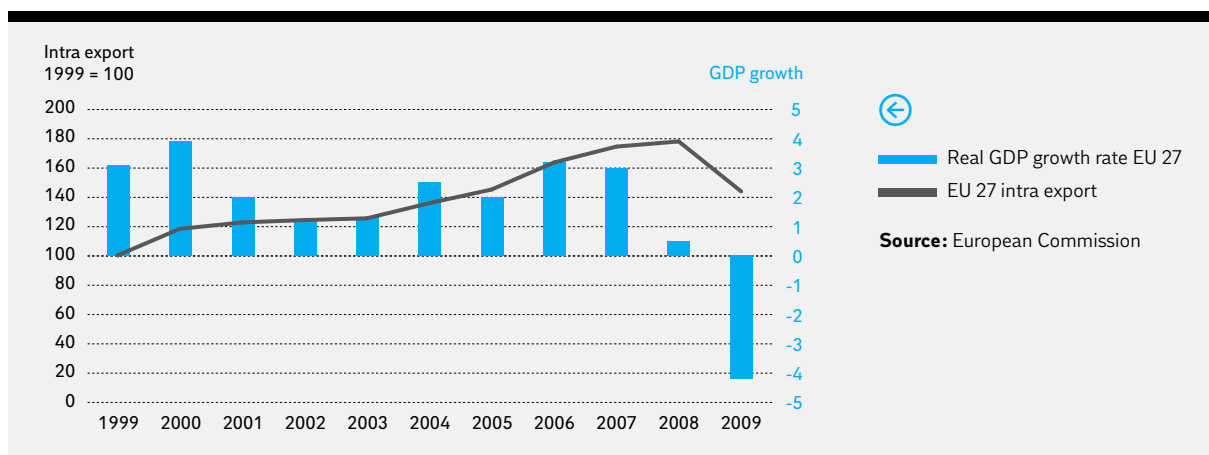
The economic crisis has hit Europe hard and wiped out many years of growth. More than ever, Europe needs to reap the full potential of the single market. The 20th anniversary of the single market is an opportunity for a new era of a well-functioning single market, which should be pursued by learning from the achievements so far. The opportunity to catch up on the backlog today lies in taking a renewed, proactive attitude towards deepening the single market.

Against that background, the Single Market Act provides an important framework and a step in the right direction towards completion of the single market and enforcement of its rules, thereby helping to restore a positive economic development and meeting the Europe 2020 goals.

In average, two to three new national rules are notified to the European Commission every single day. They accumulate and undermine the principles of the single market adopted in the Treaties and they impede economic growth and job creation. Barriers are often the result of unjustified national requirements, late or incorrect implementation or lack of correct enforcement of EU regulation. It is of utmost importance to eliminate obstacles which limit the cross-border mobility guaranteed by the European Council.

In order to expand our economies, the single market must be deepened. Thus, the business community welcomes the objectives of the

The single market increases EU's intra trade and prosperity



The clear relation between trade and GDP growth illustrates the need for completing the single market.

Single Market Act to launch initiatives within areas such as R&D, protection of intellectual property rights, e-commerce, the digital agenda as well as infrastructure, in particular within energy and transport. Initiatives in these areas will create growth and multiply the benefits for all stakeholders in the single market.

Achieving the aims of the Single Market Act largely depends on the full commitment of all parties involved. Most of all, Member States should strive to fully implement agreed rules.

EUROPE MUST ACT

Completing the single market is necessary to ensure continuity of economic integration within EU Member States as well as to enhance European competitiveness. The Single Market Act is an important step in this direction.

The full mobility of goods, services, people and capital requires a reinvigorated attitude towards the single market. In particular, unleashing the cross-border potential of the services sector

would, according to the European Commission, provide the European economy with additional EUR 140 billion.

In addition, the digital agenda in Europe should be pushed forward without delay, providing an important impetus for expansion of enterprises. In order to benefit more from the potential of cross-border e-commerce, barriers relating to different consumer rights, lack of EU rules on copyrights and insufficient interoperability of the electronic infrastructure in the EU have to be solved.

This would further improve cooperation within the single market in stimulating innovation and protecting creativity. Reaching agreement on a European patent system as well as working out measures against counterfeiting and piracy are major steps to improve conditions for European entrepreneurs.

And in times when energy efficiency and development of low carbon future sources of energy are vital preconditions for long-term

SŁOWA RZUCANE NA WIATR SĄ JAK KAMIENIE,
O KTÓRE INNI SIĘ POTYKAJĄ

Empty words, spoken idly, are like stones
that others stumble over

Roman Ingarden (Polish philosopher)

competitiveness, creating a single energy market is decisive. Improving framework conditions for competitiveness as well as legal certainty for entrepreneurs will benefit the European society as a whole. That includes the transport sector which is a crucial link in the European economy. Thus, barriers should be removed, competition must be increased and usage of non-fossil fuels in transportation must be explored as described in the Commission's roadmap to a Single European Transport Area.

Expanding the single market should safeguard the interests of citizens and entrepreneurs from every Member State. The Think Small First principle – leading to improved conditions for the functioning of SMEs and to reduced administrative burdens – should be reflected in all regulations of the single market. Furthermore, enterprises must have easier access to finance – a primary condition for their growth – particularly on innovation programmes.

The functioning of the single market starts with a correct and timely implementation and enforcement of common EU. Action that aims at benchmarking Member States' efforts and results needs to be strengthened. Moreover, a growing number of national requirements increasingly hinder the free movement within the single market. A set of criteria should be defined for assessing the justification of national requirements.

The Commission's initiative to conduct regular analyses of the state of the single market, involving all Member States, should be supported. A useful tool in this regard, which should be further developed, is the problem-solving network, SOLVIT, contributing to a more effective enforcement of single market rules.

BUSINESS RECOMMENDATIONS

- ➔ Remove national technical rules which limit cross-border mobility of goods, persons, services and capital.
 - ➔ Increase European competitiveness by deepening the single market.
 - ➔ Ensure timely implementation of EU regulation and proper enforcement at national level.
 - ➔ Enhance e-commerce by rolling out broadband and introducing harmonised consumer rights.
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Energy as a Driver for Growth

THE EUROPEAN CHALLENGE

Rising energy prices, scarcity of natural resources and dependence on imported fuels jeopardise the competitiveness of European businesses. The EU must ensure that reducing emissions and securing energy supply can be reconciled with economic development.

Security of energy supply and economic development has to be addressed by diversified and flexible instruments and policies which can provide energy at affordable prices and help reduce energy consumption and CO₂ emissions. Europe already has higher energy prices than its major economic partner countries. The price level undermines the competitiveness of European energy-intensive industries and increases the risk of carbon leakage.

The European energy and climate policy must focus on finding a feasible and cost-effective way to reach the ambitious 2050 targets and achieving a comprehensive global climate agreement.

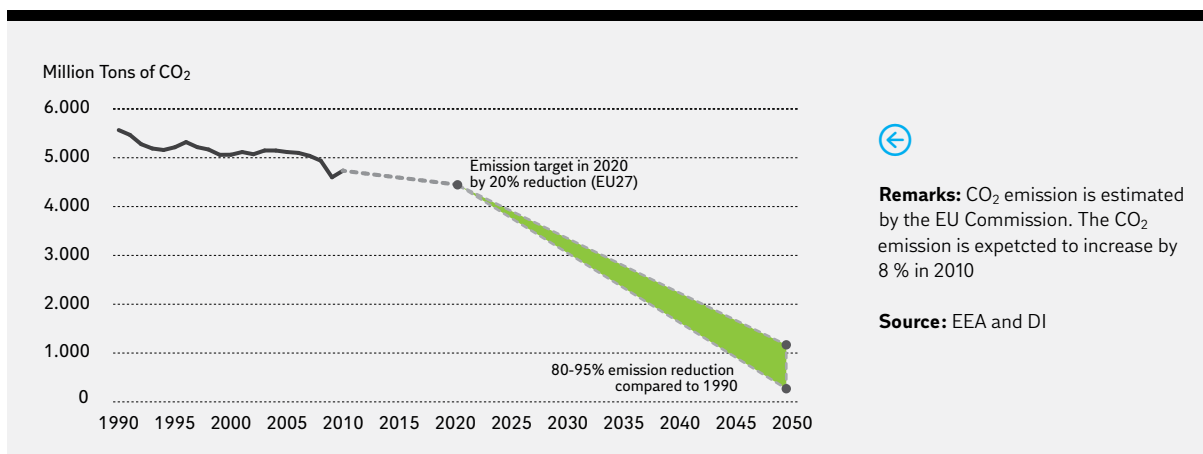
EUROPE MUST ACT

A genuine single European energy market must be built on the basis of a modern, integrated cross-border transmission network, which is the best guarantee for security of supply and for achieving sustainable development.

Focus should be put on EU-level cooperation between energy network operators with the aim of strengthening cross-border interconnections and capacities. Likewise, cross-border grid developments are necessary for further deployment of renewable energy production. In order to enable full use of renewable sources and ensure that they can compete with traditional sources, future infrastructure must provide for stronger use of renewables.

Furthermore, the EU should develop effective policies and incentives to diversify energy imports and increase competition of energy suppliers. The EU has to engage in constructive dialogue with key producer countries on security of supply issues and cooperate with major consumer countries on energy efficiency matters.

Long term CO₂ reduction path



The reduction target by 2050 is a major challenge for EU which only can be achieved by the use of a mix of technologies.

Η ΟΡΑΣΗ ΠΑΙΡΝΕΙ ΤΟ ΦΩΣ ΑΠΟ ΤΟΝ ΑΕΡΑ, ΕΝΩ Η ΨΥΧΗ ΑΠΟ ΤΗ ΜΑΘΗΣΗ

Eyesight receives light from the sun, while the human soul receives light from knowledge

Zenon of Citium – Cypriot philosopher 352 B.C.

Attention should be given to accelerating and simplifying authorisation procedures for energy infrastructure projects and creating incentives for the roll-out of smart grids.

The implementation of the new "Energy Roadmap 2050" should be in line with the revised EU Energy Efficiency Plan and involve all sectors of the economy aiming at sustainable development and respecting the needs of European energy consumers.

The effective implementation of existing EU instruments is more important than creating new regulation. Market instruments should be the basis of the regulation, but must be supplemented by accompanying instruments to ensure development and diffusion of energy technologies. Thus, the private sector should provide concrete knowledge and solutions and thereby facilitate investments. And the public sector must support the private sector effort by taking responsibility and ensure the most optimal framework conditions. In doing so, possible financing instruments to support innovation and market deployment should be used. It is important that technology neutrality is recognized and that the chosen instruments are in line with state aid rules.

EU policies must encourage R&D activities in developing renewable energy as well as energy-saving technologies. Funding low-carbon technologies is crucial and should thus be reflected in the next framework programme and EU budget. Effectiveness and commercial viability must be the driver of technological progress while supported at the European level.

The European business environment calls on the EU institutions to work towards a comprehensive low-carbon strategy for Europe in 2020 and beyond, which will provide a stable investment environment for European companies without negatively influencing competitiveness. The reduction of emissions without simultaneously securing the sustainability of European industry will be a harmful approach.

For such a strategy to work, EU institutions and national authorities must fully integrate policies for climate, energy and industry. The strategy must also take into account the macro-economic challenges and opportunities of climate and energy policies through sectoral and regional impact assessments. The EU should thus support a pragmatic sectoral, bottom-up and technology-based approach to the climate and energy challenges.

BUSINESS RECOMMENDATIONS

- ➔ Promote a truly single energy market enabling free trade in energy via a modern and integrated cross-border transmission network.
 - ➔ Provide affordable energy by promoting a more energy efficient Europe and supporting green technologies.
 - ➔ Adopt compatible policies for energy, climate and industry.
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Sustainable Financial Perspectives 2014-2020

THE EUROPEAN CHALLENGE

Predictions for future European economic performance raise the urgency of an EU budget reflecting the priorities of the future rather than the past. Furthermore, the weaknesses of European economies have demonstrated the need to boost competitiveness of the private sector by means of growth enhancing policies and further economic integration.

The EU budget should be kept at the current level focusing on efficiency measures to ensure more growth for the same financial input.

Increased political responsibility and accountability in relation to the proper and efficient use of EU funds is important in this context. Funding should be made subject to conditionality in order to maintain budgetary discipline and transparency. It is important to continue the work from the Lisbon Strategy with ambitious European targets in relation to the global economy. Europe must ensure that these are reflected in the future EU budget which must be tied to growth and competitiveness.

The adoption of the EU2020-strategy integrates policy priorities and constitutes the upper reference for the renewed creation of European jobs and welfare in a period when other economies

are catching up with and even overtaking the European economy. The EU budget must be reformed to reflect these priorities and support the most relevant competitiveness-enhancing policies and investments for the Single Market.

EUROPE MUST ACT

The European Commission estimates that if the EU2020 targets are achieved, the result could be an extra 4 per cent on EU GDP and 5.6 million new jobs by 2020. The EU budget is a key instrument and must be designed to deliver the Europe 2020 targets for smart, sustainable and inclusive growth by aligning spending with flagship initiatives.

The EU budget should reflect European added value in line with the subsidiarity principle by focusing on areas where significant synergies can be achieved within R&D, innovation, energy supply and infrastructure. Europe must increase R&D and innovation investments to reflect the levels of competing regions. In addition, the EU budget should open up for innovative solutions to the grand challenges that affect all Member States such as climate change and demographic changes, and thereby ensure added value from national to European levels.

AT VOVE ER AT MISTE FODFÆSTET FOR EN STUND,
IKKE AT VOVE ER AT MISTE SIG SELV

To dare is to lose footing for a moment,
not to dare is to lose oneself

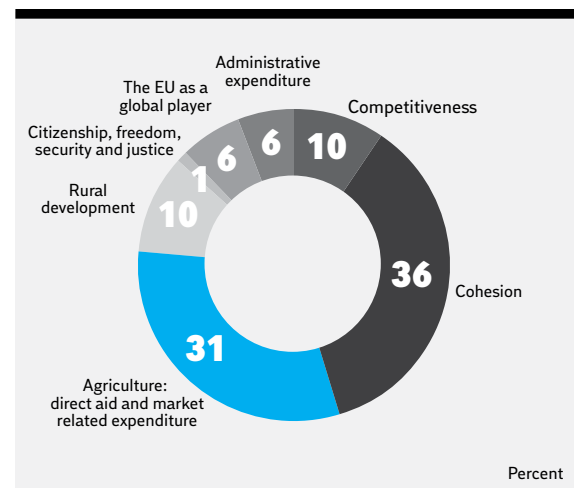
Søren Kierkegaard (Danish philosopher)

Higher leverage of investments, which is a viable alternative to the overall increase of the size of the EU budget, should be a priority. This will stimulate economic activity by enhancing effective management of EU funding and a more result-oriented allocation of EU funds. Structural funds should follow this logic and target the poorest regions to enhance economic development and growth.

The process of referring the Common Agricultural Policy (CAP) should be intensified and accelerated. The EU budget should rather support a greener and more innovative agricultural production where investments are oriented towards innovative production in line with the EU 2020 thinking.

The EU must simplify procedures to ensure smart, sustainable and inclusive growth, where the needs of SMEs must be taken into account. Finally, one of the prime tasks of the EU budget is to support efforts towards a wider access to capital and improving European mobility of labour, goods, energy and transport.

EU's budget 2011



Source: European Commission

A sustainable financial perspective should not be restricted to dealing with the amount of available funding but pursue ways to increase the leverage of each euro spent.

BUSINESS RECOMMENDATIONS

- ➔ The EU budget should reflect European added value by focusing on areas where significant synergies can be achieved within R&D, innovation, energy supply and infrastructure.
- ➔ Make funding subject to conditionality in order to maintain budgetary discipline and transparency.
- ➔ Intensify the process of referring the Common Agricultural Policy (CAP) by supporting a greener and more innovative production in line with the EU 2020 strategy.



A Global Europe

THE EUROPEAN CHALLENGE

The economic crisis has seen protectionism rather than free trade at the forefront of external policy. Europe must not close in on itself but should view emerging markets and external trade partners as opportunities for growth rather than threats to European prosperity. Much work remains to be done in securing market access and a level playing field in the global trade arena. And while globalisation increasingly puts pressure on Europe, the path towards international market integration is prolonged.

The European Commission estimates that completing trade agreements that are already subject to negotiations would increase the size of the EU economy by €150 billion. Enhanced trade and investments generate prosperity for all involved partners and as Europe holds the

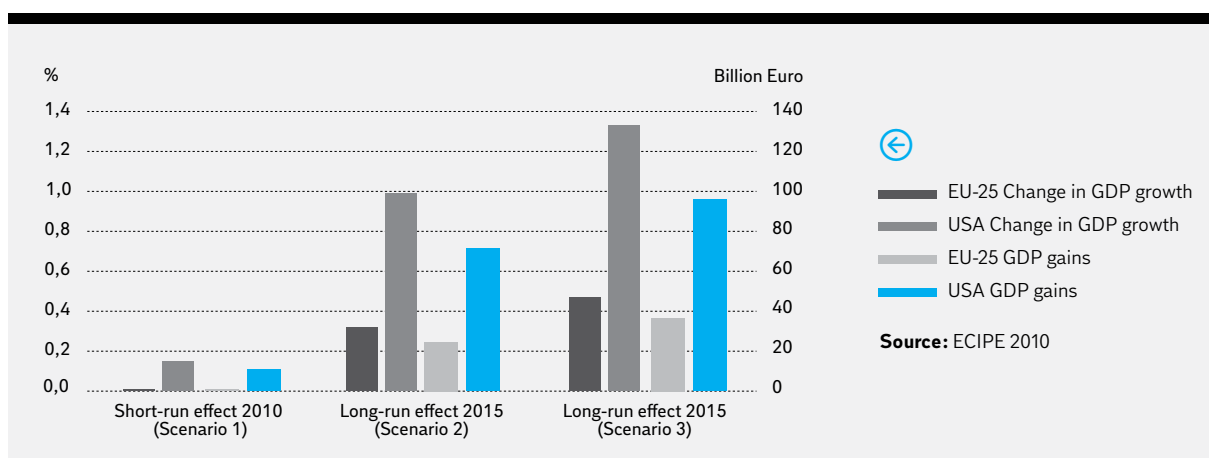
position as the world's largest exporter, the EU has a lot to lose from protectionism. An open international trade system is a precondition for economic growth.

Exports and foreign investments will be even more important in the future since growth is increasingly taking place in emerging markets outside Europe. Forecasts predict that 90 per cent of global growth will take place outside Europe by 2015. Ultimately, the success of the EU2020 strategy highly depends on an open Europe in terms of trade and investments.

EUROPE MUST ACT

EU should continue to follow both multi- and bilateral tracks by pushing for a conclusion of the Doha round as soon as possible and at the same time upgrading its relationship with

The effect of a transatlantic free trade agreement



The chart shows the mutual benefits of a free tariff agreement with USA. The long-run effects represent capital accumulation, expansion of investment and productivity effects as well as lower increases in manufacturing costs.

strategic partners such as the USA, Japan and the BRIC countries while pursuing free-trade agreements with important trade partners such as Canada and Mercosur.

Non-tariff barriers have replaced tariffs as the main obstacle to market integration and free trade across national borders. European businesses integrating in global value chains heavily depend on the convergence of international rules and standards.

In particular, EU should focus efforts on resolving non-tariff barriers with China, Russia, Japan and the USA. Removing only half of the non-tariff barriers from trade with the US would boost growth in the EU by 0.5 per cent. The recent agreement with South Korea shows the path for future bilateral trade talks.

While removing technical obstacles on international markets, the creation of new non-tariff barriers must be prevented. This should be done through the promotion of good regulatory practice ensured in bilateral dialogues with major partners through a strong enforcement policy and by respecting the principle of reciprocity. The EU should be proactive and increase participation in international standardisation work to promote European objectives and furthermore ensure that the use of common, international standards is included in bilateral and multilateral trade agreements.

In addition, free-trade agreements with EU neighboring countries and notably with members of the Eastern Partnership, should be a priority in order to expand the benefits of the single market.

BUSINESS RECOMMENDATIONS

- ➔ Continue to push for a conclusion of the Doha and pursue free-trade agreements with important trade partners such as Canada, India and Mercosur.
 - ➔ Boost European growth by focusing on resolving non-tariff barriers with China, Russia, Japan and the USA.
 - ➔ Promote good regulatory practice major partners through a strong enforcement policy and by respecting the principle of reciprocity.
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Twenty years from now
you will be more disappointed
by the things that you didn't do
than by the ones you did do.
So throw off the bowlines.
Sail away from the safe harbor.
Catch the trade winds in your sails.
Explore. Dream. Discover.

Mark Twain

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