

Newsletter

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Europe after the elections

THE RESULTS ARE IN, WE MUST JUMPSTART A STRATEGIC AGENDA FIT FOR THE FUTURE



As the dust settles on the EU elections, it is clear that we are surrounded by serious turbulence. The Conservative win blocked the far-right landslide. Still, even though the centre-right held its position we cannot ignore that the hard right will be more powerful in the new European Parliament, making voting on key dossiers more complicated. We got a

glimpse of that when the EPP narrowly failed to muster a right-wing blocking majority to kill off a nature restoration law last year. One must also follow very closely what is taking place in France. A win for the far-right coalition in the national elections could very possibly shake the very foundations of the EU itself.

Top of the list of business concerns are ensuring progress in industrial policy and economic security, particularly in technology, critical raw materials, semiconductors, electric vehicles, economic resilience, and overall competitiveness. Strengthening the single market and boosting private investment through a genuine capital markets union is essential. Will this new Parliament be up to the task?

We have no other choice than to compete with global powers like China and the United States.

In 2008, the eurozone and the US had equivalent gross domestic products (GDP) at current prices, of \$14.2 trillion and \$14.8 trillion respectively (€13.1 trillion and €13.6 trillion). Fifteen years on, the eurozone's GDP is just over \$15 trillion, while that of the US has soared to \$26.9 trillion. These numbers are not without meaning. The reasons are many. For example, if the biggest five European economies — Germany, the UK, France, Italy and Spain — had matched America's productivity growth rate between 1997 and 2022, their GDP

per capita would on average be nearly \$13,000 higher in purchasing-power-parity terms.

For many years, with the EU displaying a positive trade balance, many did not see that our competitiveness was at risk. We trusted the global level playing field and the rules-based international order, expecting others would do the same. But now the world is changing rapidly and the EU needs to up its game and respond quickly to all those wake-up calls that it has hitherto ignored. We hope this Parliament will be up to the task and not limit itself to party politics.



About the author:

Stefano Mallia

President of the EESC Employers' Group

How will the results of the EU elections affect the different policies and ultimately European businesses? We have asked our members:

Will the new European Parliament act to boost the single market and European competitiveness?

The new European Parliament is still organising itself, defining its political groups and membership, and has not yet reached the stage of hashing out its agenda and demands for the next legislative term. Voters returned to the European Parliament a clear majority of generally centrist parties. However, they also supported eurosceptic and radical groups. That leaves a degree of uncertainty over the impact these political groups will have in the coming years.

Ultimately, members and groups clearly campaigned for or against specific policies and political projects. Thus, we have a basis for assessing what to expect from the new EP configuration on the single market and EU competitiveness.

The programmes of the EPP, the S&D and the Liberals contain much support for the single market — the EPP calls for deepening and completion of the internal market, the S&D adds the need for action to cut red tape and fight unfair competition, the German Liberals from the FDP even call for an EU agency for the digital single market to be set up. The Greens, too, advocate for a resilient single market. All these



parties list energy, digital and finance as the areas for more market integration in the EU.

On this basis, we should expect a lot of support from the European Parliament in terms of policies to improve the functioning of the single market. Stakeholders will nonetheless need to hold the Parliament accountable to these programmes and ensure that the support messages are not just lip service but lead to real activities tackling the persisting fragmentation and resistance such as demands for border closures or unilateral action by Member States.

As regards competitiveness, all parties agree on the need to reduce bureaucracy and the regulatory burden as key to improving the EU's economies' stance in this area. Industrial policy ranks high on all priority lists, too. The Greens add the caveat of a climate-neutral transformation but still want to support SMEs and industrial actors, while the S&D aims for an industrial policy with a strong social and sustainable dimension. Most parties identify investment in and development of key technologies and innovation as important in the context of competitiveness.

Again, the stated objectives are very welcome. That said, agreeing on noble aims in an electoral programme is easy – delivering on the necessary policies, focusing on implementation and enforcement and holding national

lawmakers accountable to steps such as combining national research budgets are going to be much more challenging.

Judging by their programmes, the parties forming the political majority see the completion of the single market and the competitiveness of EU as clear priorities. Whether the same can be said with regard to their actions remains to be seen and will also depend on stakeholders' continued insistence on turning programmes into reality and speeches into actions.



About the author:

Sandra Parthie

President of the EESC Section for Single Market,
Production and Consumption (INT)

Member of the EESC Employers' Group

New EU term must recalibrate the Green Deal

During the campaign for the European elections, a lot was said across the political parties on the Green Deal. Some even called for scrapping some of its pillars or dismantling the entire bulk of legislation. The shift to the right on the political scene means that the stance on climate and energy policy will be more pragmatic over the next five years. It is not realistic to scrap the entire bulk of legislation, but some parts of it could be revised.

As the Green Deal was confirmed by EU leaders, it would be difficult to kill it completely. However, a clear goal does not mean it is set in stone. This did not happen even after the outbreak of Russia's war of aggression back in February 2022. At that time I wrote an article for Euractiv entitled [*The Green Deal is dead, long live the Green Deal*](#), meaning that the main goal for 2050 will remain but some parameters will need to be adjusted. That is exactly what happened at that time. The Green Deal is therefore not a static document, but a vision towards a 2050 goal, with steps that can be adapted over the years to developments and progress made.

In the new mandate, we will certainly see fewer bans than we have so far, more carrots than sticks, realistic requirements to safeguard competitiveness and strategic autonomy and more openness for all sorts of low-carbon energy. We will see pressure on better interconnection among Member States and focus on the security of supply and cyber security, while deploying renewables and nuclear energy. We can also hope for a more pragmatic approach to the 2040 target.

And what could be corrected? Recalibration could happen via amending acts that overlap with each other or by prolonging the dates of applicability for obligations that have not yet come into force. An argument for moving the deadline could



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be that the technology that the regulation envisaged is not yet on the market, or is not available to a sufficient extent. We will also look for correcting measures where the EU's resilience is at risk. There is also a lot of room for adjustment in reducing administrative burdens and trimming cumbersome ESG reporting. And last but not least, corrections can also occur where a revision of the texts is expected on a certain date. A ban on combustion engines might be a contender for such a change. I also hope for better monitoring and implementation of the Green Deal.

At the moment, the EESC is working on an opinion that will provide the EU institutions with a list of measures for recalibrating the Green Deal. But we should not forget that changes can only happen via regulatory work and this means a stable majority and pragmatic approach on both sides – the European Parliament and the Council – are necessary. If MEPs and Member States are loud and specific enough about what overlaps, shortcomings or problems need to be solved, the Commission will be able to respond to this appeal legislatively.



About the author:

Alena Mastantuono

Member of the EESC Employers' Group

Vice-President of the EESC Transport, Energy,
Infrastructure and the Information Society (TEN)

Europe after the elections: keeping up our work around the world

Despite some turmoil in certain countries, citizens elected a new European Parliament with a pro-EU majority. This will allow the European Union to stay on course on crucial economic and social topics, like the green and digital transition, with the ambition of reindustrialising Europe in a sustainable way. On the international front, the EU can be expected to continue working for a rules-based world order and for open trade, even if it will have to do so in a difficult geopolitical context.

The course for 'Global Europe' has been clearly set in the last years and during the latest election campaign: the EU must change to adapt to the new geopolitical situation, while at the same time maintaining its values of multilateralism, peace and rule of law.

To preserve peace on the continent, the first step is to guarantee our collective security, especially now that the US might become less prone to cooperation after the November presidential elections, while Russia is not willing to lay down arms against Ukraine and is threatening us with its hybrid war. The EU needs to build up its own defence and security policy and be ready to face emerging challenges.

To achieve this, we have to play our part on the international stage, in cooperation with like-minded partners. This implies creating the necessary military capacities for deterrence and self-defence and taking a strong diplomatic initiative to resolve conflicts, such as in Gaza or the Sahel region. We can be safe only if we have the political will, the operational ability and a strong determination to create a safe environment around us. We should also fight foreign disinformation and cyberattacks more effectively.

EU enlargement is of strategic importance, and we will see how the new composition of the Parliament will affect the approach towards the candidate countries. Civil society, but also politicians and governments, will need to make a clear case for enlargement and have an open public debate about its impact, e.g. on the possible redistribution of cohesion and agricultural funds and on the benefits of enlargement both for the EU and the candidate countries.

During the election campaign there was a welcome discussion on all these issues, and we expect the new Commission and High Representative for Foreign Affairs and Security Policy to work along the proposed lines, thanks to the existing majority in the European Parliament.



Regarding trade, many files are awaiting finalisation: first and foremost, the EU economic security strategy will require securing our supply chains in essential industries, including strong investment screening rules and critical raw material access.

The EU will have to define its policy towards China: while we are not oriented to follow the US' confrontational approach, we still need to react to Chinese over-capacity in some industrial sectors and to a growing trade deficit, ensuring a level playing field for European producers in strategic industries.

There is much unfinished business in terms of trade agreements: we hope the EU will finally conclude the trade agreement with Mercosur, recover from the setback with Australia and negotiate agreements with India and Indonesia. The need to include provisions on social and environmental sustainability has made trade negotiations more complex, but they are grounded in our values and international commitments and will be key for public acceptance of trade agreements in societies where the call for protectionism has grown stronger.

As firm believers in the multilateral framework, we hope that the EU will manage to mobilise enough international partners for the reform of the WTO, not only to revive its dispute settlement mechanism, but also to create trade rules that fit the digital and green transition, while making sure that trade also benefits the least developed countries.



About the author:

Dimitris Dimitriadis

President of the EESC External Relations Section (REX)

Member of the EESC Employers' Group

What could be the effects of the new European Parliament configuration on better regulation?

The Von der Leyen Commission produced an extraordinary number of legislative acts: the Green Deal, the Digital Services and Digital Markets Acts, a minimum wage framework, sustainability reporting, sustainability due diligence and nature restoration, to name but a few.

These subjects do indeed require legislation at EU level: 27 diverging national laws in the fields of e.g. climate change, digital technology and due diligence requirements would cause major problems and would produce bureaucratic nightmares, ineffective policies and distortion of competition on the internal market.

Much of the EU legislation of the past five years has gone in the right general direction. But at the same time, there are quite some devils in the details and its implementation may create substantial problems, possibly resulting in a backlash against the EU. That would be the last thing business wants.

Recent EU legislation will entail massive administrative burdens, substantial costs, significant and multifold reporting requirements, and restricted policy room for national administrations and judges to choose between conflicting legitimate public goods. We also see a lack of awareness of the realities facing SMEs and wide-open doors for national gold-plating where EU-level harmonisation is required. Another characteristic of recent EU legislation is that, where the legislator was unable or unwilling to formulate clear and readily applicable material norms, they resorted to formulating rather open norms while opening the gates wide for civil litigation. The legislator seemed to abdicate from their essential role: providing legal certainty.

This approach was in stark contrast to that of the Juncker Commission, where better regulation was an unmistakable 'the tone at the top' and a key element of the political agenda which was consistently implemented.

Before the Commission and the newly elected European Parliament come up with their fresh five-yearly agenda, a serious moment of reflection is required on how a joint institutional effort can improve the quality of future EU



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legislation, so that legitimate and ambitious targets can go hand in hand with legislation that is both effective and applicable in practice by key stakeholders.

This means, among other things, that legislative quality should prevail over ideology, 'think small first' must be the start of any legislative process, key implementors of new legislation must be fully involved in the discussion, meaningful impact assessments must be a *conditio sine qua non*, and national gold-plating should be restricted to what is really necessary due to diverging national circumstances.

The coming five years will require a lot of political attention on the implementation of already agreed legislation. But new developments in technology and the world will no doubt also demand substantial additional EU legislation. In principle, the recent election result provides a good basis for majorities in the Parliament that can agree on legislation which is effectively realising legitimate and ambitious targets, while at the same time being 'better'.



About the author:

Winand Quaedvlieg

Vice-President of the EESC Employers' Group
Confederation of Netherlands' Industry and
Employers VNO-NCW

What impact could the new EP configuration have on climate legislation?

The impact of the elections on European climate policy will be a question more of evolution than of revolution. A U-turn on climate is unlikely as the grand coalition of EPP, S&D and Renew still hold a majority in Parliament; dismantling much of the work done during the previous term would break that coalition.

However, some climate policies that have already passed might emerge as symbolic issues. The EPP has strengthened its position as the largest group and would like to see this reflected in policy. Heavy hitters in the group have been calling for the ban on new combustion engine car sales from 2035 onwards to be revoked. China's emergence as a strong exporter of electric vehicles should make policymakers wary of shifting industry's focus away from electrification.

Rather, the election result is expected to be reflected in a more pragmatic, market-based approach with a wide range of net-zero technologies and clear commitment to EU climate neutrality by 2050. Curbing the tendency to overregulate new technologies such as hydrogen would be a welcome step to speed up the transition and address the growing competition from the US on clean investment.

The second largest group, S&D, called for a 'green and social deal' in its election manifesto. The tone of this term's climate policy will also take a new turn if Ursula von der Leyen seeks to expand her majority by courting either the Greens or the ECR.

A focus on implementation is the likely direction. This was also floated by Enrico Letta in his Single Market report. Much of the Fit for 55 legislative package will come into force during this term. The ambition should be shifted from expanding the scope of legislation to delivering results. The Commission



should make use of the other tools in its toolbox, ranging from improving access to finance to securing trade deals that will ensure the supply of the minerals and components needed for the transition.

Even if the stream of new legislation does calm down, the legislators will certainly have climate policy files on their table to set the post-2030 climate and energy policy framework. In addition to the 2040 climate target itself, the Commission is likely to follow up with proposals for 2040 targets for renewable energy, energy efficiency and emissions in agriculture, transport and buildings. Additionally, the future of the Emissions Trading System and the CBAM is up for review.

Competitiveness, industry and security will be key words for the new term. For climate action, this is not a bad thing. At this stage, climate policy is all about investment. Europe needs to attract investment in clean energy, decarbonisation of industrial processes and manufacturing of net-zero technologies. Phasing out fossil fuels will increase our energy security and strengthen our position geopolitically. The new Parliament would do well to embrace this as the next stage of EU climate policy.



About the author:

Teppo Säkkinen

Member of the EESC Employers' Group
Finland Chamber of Commerce

Agriculture, food and rural areas in the EU following the European Parliament elections

A new political cycle is getting under way in the European institutions at a highly sensitive time for citizens. The new Parliament is set to start work in July following the elections, and will have a stable majority similar to the previous one. The Commission will also have a similar make-up, with no surprises for both the Council Presidency and the High Representative. So nothing will change?

On the contrary. A lot will change. We have embarked on an enlargement process we consider crucial and that fast-tracks the EU accession of Ukraine, a country at war with Russia and in need of our unwavering support. An enlargement like the one in 2004 will require a review of strategies and rules and, above all, ambitious new funding.

The agri-food sector will retain a key role in the supply of food, and food security will depend on preserving a competitive production structure and on the sector remaining capable of maintaining a positive trade balance, based on the capacity to export high value-added products and on innovation where Europe continues to lead.

This new legislature should not reproduce the mistaken approach of confrontation between producers (farmers, breeders, fishers) and environmentalists. The outgoing Commission's commitment to leading the crucial green policy internationally has often resulted in rules that are very difficult to explain and apply in the Member States, creating red tape, loss of competitiveness and frustration in the sector.

The ongoing protests are a clear sign that something has gone wrong. The strategic dialogue proposed by the outgoing Commission President can be an effective tool for starting the new mandate. It is vital to consult organisations familiar with the reality of the sector and with the situation locally, and the EESC and the CoR should play a more active role in future.

The new Parliament has lost some of the people who have traditionally represented the sector over recent legislative terms. We will see how the new committees are formed, paying attention to the necessary balance between economic, social and environmental interests. It will be essential to design a new green deal closer to the reality on the ground and to monitor multilateral commitments, with a focus on reciprocity and protecting groups that are particularly affected.



The CAP must be reformed. The policy is in a poor state, is underfunded and does not take account of the impact of new Member States joining, countries with particularly strong agriculture and livestock sectors.

After all, businesses in the sector, which are mostly family-run and small in scale, need the same support as that provided for industrial and service-based SMEs. The situation is made worse by the fact that they are based in rural areas with shrinking populations and growing deficits in services and quality of life.

The harsh impact of the climate crisis, especially in southern and central Europe, calls for active policies on preserving and making use of two resources that are becoming increasingly scarce and essential: water and land. There is constant competition for these resources, not only for traditional urban and industrial uses, but also for renewable energy, which is emerging as a major consumer of land and water.

We will have to pay close attention in this new phase. With our opinions, and particularly our lobbying activities at the Parliament, Council and Commission, we will endeavour to shape this new Europe in a way that reflects the needs conveyed very clearly to us by businesses, which are permanently in touch with the grassroots level.

We wish the newly elected MEPs all the best and stand willing to share our experience and knowledge in the upcoming period.



About the author:

Josep Puxeu Rocamora

Member of the EESC Employers' Group

Spanish Food and Drink Association (FIAB)

What might be the effect of the new composition of the European Parliament and European Commission on technological innovation?

In recent years, the EU has been facing economic and geopolitical challenges that have further undermined its already shrinking global economic position and strategic autonomy, while its industry is undergoing unprecedented changes triggered by the green and digital transitions. Unfortunately, stark facts expose the EU's global underperformance in technological innovation.

R&D expenditure in the EU has stalled at 2.2% of GDP. Of ten cross-cutting technologies, Europe leads in only two. Europe has missed the boat in the latest technological revolution, notably lagging behind in information and communications technology (ICT) and in other disruptive innovation. And without fostering technological innovation, it will not be possible to revive the EU's industrial competitiveness.

Given that the European Council has nominated Ursula von der Leyen as European Commission President, and that pro-European mainstream political groups are in the majority in the European Parliament, we should expect continuity rather than revolution. The already published Letta report proposes to boost research, innovation and education. Furthermore, plans to increase the EU's innovation and resilience are high up in the priorities of the biggest political groups: the EPP is calling for the introduction of a common industrial policy; the S&D sees a need for a permanent EU investment vehicle and a "Made in Europe" strategy; Renew Europe is highlighting the need for the next European Commission to be an "Investment Commission". All of that sounds promising. However, in order for this to succeed, political will needs to be backed up by concrete tools, adequate funding and a skilled workforce, none of which are at present available in sufficient quantity.

Technological solutions should be directed at reducing the EU's critical dependence in given areas, such as on imports of fossil



fuels and critical raw materials, and at enhancing its strategic autonomy. This requires identifying – and investing in – strategic technologies such as batteries, bio-manufacturing, advanced materials, AI and supercomputing. To this end, the EU will need a common approach to industrial strategy, with a proper, coherent legislative and financial framework; it will also need to expand existing instruments, such as IPCEIs (Important Projects of Common European Interest). The human and social dimensions must be embedded in these approaches from the outset. And last, but not least, there needs to be a revision of procurement rules, State aid and competition policy to ensure that EU industry can compete at a global level.

As a consequence, the next EU political cycle will be responsible for devising concrete ways of boosting R&D&I investment and for securing tangible results in that domain. That is the only way to secure the competitiveness of European industry.



About the author:

Pietro De Lotto

President of the EESC Consultative Committee
on Industrial Change

Member of the EESC Employers' Group

Editors

Daniela Vincenti | daniela.vincenti@eesc.europa.eu
Katharina Radler | katharina.radler@eesc.europa.eu

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Contact

European Economic and Social Committee, 99 Rue Belliard, 1040 Brussels
Tel. +32 (0) 2 546 82 07 | Fax: +32 (0) 2 2 546 97 54

gr1@eesc.europa.eu • www.eesc.europa.eu/employers-group

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