

Driving Prosperity for All

A Competitiveness Agenda for the EU

EESC EMPLOYERS' GROUP
PRIORITIES



European Economic
and Social Committee
Employers' Group

BUSINESSES DELIVER COMMON GOOD

The creation of jobs and the provision of goods and services are the most evident societal benefits of businesses. Even in times of crises, enterprises provide citizens with a steady supply of food and other consumer goods, as well as medical products and other critical goods. They integrate refugees and foster cohesion in communities. By paying taxes, businesses contribute to public revenues for the education, healthcare, and social systems, as well as internal and external security. Companies also provide technologies and solutions that help mitigate climate change and environmental problems.



The EU and its businesses are in the midst of acute crises and profound long-term transformations. Enterprises – whether large companies or SMEs – are struggling with high energy prices, labour and skills shortages, the manifold requirements of the green and digital transitions, and the overall costs and barriers to doing business. This is clearly reflected by the ongoing collapse in business confidence, which brings with it the risk of contraction and relocation of EU businesses.

The Russian aggression against Ukraine has ushered in a new economic and geopolitical environment. Consequently, the EU, more than its global competitors, is suffering from extremely high energy prices and inflation. At the same time, other global economies subsidise and favour their own industries. These are factors that create the risk of the EU's deindustrialisation. To successfully cope with these problems, and other current and future challenges, the competitiveness and resilience of the EU economy must be strengthened. The EU must also amplify its global influence and position vis-à-vis foreign economies.

Both the short-term and long-term success of the EU can only be built on the foundation of thriving businesses – comprising enterprises of different sizes, covering a wide variety of sectors and ecosystems, and operating in different markets and geographical locations.

Competitive, resilient, and thriving businesses are able and empowered to create common good and generate economically, socially, and environmentally sustainable development, both domestically and globally. The EU therefore needs to step up its efforts to create an enabling environment for businesses to operate and thrive. This applies equally to industry, services and agriculture, also considering that various businesses are interlinked through value chains.



In changing conditions, speed is key. While there have been improvements, the EU must still significantly speed up its decision-making when responding to crises. It should also reconcile the short-term needs and long-term objectives with careful timing and prioritisation of measures, for example in implementing the transition to a digital, carbon-neutral, and circular economy. EU policymaking should rely on innovation, excellence and highly competent and skilled people, and focus on cutting red tape and reducing costs wherever possible.

The EU is a union of common values founded to ensure and promote peace. As one of the EU's cornerstones, the rule of law provides certainty and stability for the business environment and must be respected in all circumstances. Interaction between the various partners of society also increases stability and resilience, social dialogue being an important part of this interaction.

The EU has set itself the goal of strengthening its resilience and role in the world, but competitiveness is an essential element that is missing. Given its declining share in the global economy, it is imperative that the EU improves its productivity and competitiveness. For this to happen, the EU must adopt a competitiveness agenda that strengthens the conditions for EU businesses to innovate, invest and trade, thereby creating common good.

FOCUS ON THE ESSENTIALS!

When developing its competitiveness, resilience, and global influence, the EU should rely on the open market economy and open societies as its fundamental assets, and refocus its action on the essential conditions for creating prosperity and well-being. The Employers' Group therefore calls on policymakers to focus major efforts on making the following fundamental goals a reality:



**Competitive
access
to resources**

**Open markets
with equal
rules**

**Business
friendly
regulation and
taxation**

COMPETITIVE ACCESS TO RESOURCES



The availability of basic production factors – under competitive conditions – is one of the key features of a favourable business environment. This applies equally to energy, raw materials, labour, capital, and data.

Geopolitical developments have an impact on both the availability and prices of **energy and raw materials**, affecting all EU businesses directly or indirectly. Soaring energy prices severely hit European energy intensive industries. Access to energy and raw materials at competitive prices – together with other fundamental business conditions – is crucial for keeping industrial production and related activities in the EU. Due to the profound changes in the operating environment, there is an urgent need for the EU to shape a comprehensive and up-to-date, innovation and excellence based industrial policy. It must provide both immediate solutions and longer-term perspective for EU companies to succeed in the face of fierce international competition.

The crises-related disruption of international markets and supply chains drew attention to the need to reduce the EU's critical dependencies, in particular on Russian fossil fuels and Chinese metals. This calls for strengthening the EU's own industrial capacity and resources, and developing new business ecosystems. Energy sources and supply chains of raw materials, intermediate products and components must also be diversified. The reorganisation of production and supply chains is a matter of companies, while the role of policymakers is to support and facilitate it.

Climate and environmental objectives also significantly affect the use of energy and raw materials. It is not only about efficiency, but also (increasingly) about sufficiency.

To avoid multiple crises, the EU needs to enhance measures that simultaneously consider all basic energy policy objectives: security of supply, reasonable costs and prices and climate-neutrality. The same applies to raw materials and to the supply of food by the agri-food sector. Moreover, workable solutions are needed to efficiently combine the economic use of natural resources and the protection of biodiversity.

Competitive access to energy and raw materials requires

- strengthening domestic production, ecosystems and resources, and diversifying foreign suppliers;
- reconciling the various policy objectives and related regulation.

Due to demographic developments, **labour** shortages are increasingly becoming one of the major obstacles to business growth as well as maintaining operations. Besides implementing active labour market policies to involve inactive and unemployed people, the potential offered by, for example, female employment and female entrepreneurship, as well as legal migration, should be fully used. Inclusive labour markets, together with job creation and skills development, are also the best ways of enhancing social development.

Ensuring adequate labour and skills calls for

- facilitating workforce mobility and migration;
- effective life-long learning systems and improved anticipation of future skills needs.



To meet current and future demand for **skills**, the continuous and life-long learning framework must be advanced, encompassing successful formal education with a focus on learning outcomes, combined with experience in companies, effective vocational training, as well as well-functioning upskilling and reskilling systems and practices. Due attention must be paid to the skills required for the digital and green transitions, and adapting of curricula to new jobs and jobs going through transition. Cooperation needs to be strengthened between the public sector and business community, considering the roles of businesses as employers and training providers. Changes in work and working life also require a resilient workforce. The cross-border mobility of workers, students and talent needs to be encouraged and facilitated, both within the EU and in cooperation with non-EU countries, by helping match supply and demand for instance. The EU must create the right conditions to be able to attract a highly skilled workforce.

Innovation capacity is still another way to increase productivity, and is essential for the development, better adaptability and renewal of businesses. Both private and public investment in research and innovation are necessary for the EU's success in the future. Cooperation between businesses, universities and innovation organisations needs to be facilitated as an important practical way of enhancing productive innovations.

As **data is a vital raw material** of the present and future, the availability, accessibility, and smooth flow of data must be ensured – analogous to energy and material resources. This requires enabling regulation and rules, as well as advanced technologies. At the same time, it is ever more crucial to take care of cybersecurity, to keep the increasingly digital and integrated products and processes protected.

As **access to finance at a reasonable cost is vital** for all businesses, and given the need to avoid critical dependence on foreign decisions, the EU should enhance well-functioning and stable EU capital markets and a solid and independent EU banking sector. The EU must also refrain from regulatory measures that could directly or indirectly jeopardise access to finance, in particular for SMEs. This must be duly taken into account in the regulation of banks. The same also applies to the development of criteria for sustainable finance. Moreover, access to the various forms and channels of EU funding must be facilitated so that funding reaches businesses on the ground swiftly.

OPEN MARKETS WITH EQUAL RULES



To be able to operate and grow, businesses need access to markets, under conditions that ensure a level playing field in the EU and internationally. This applies to all kinds of businesses, irrespective of their size, sector, type of customers, geographical location, or position in value chains and business ecosystems.

The **Single Market** remains the core foundation of the EU business environment both under “normal” conditions and in times of crises. Building on the benefits and progress of the past 30 years, the EU must persistently and decisively ensure a well-functioning Single Market and foster its freedoms. To this end, market barriers must be identified and systematically removed, and the creation of any new ones prevented. This calls on Member States to strictly implement and enforce the common rules and refrain from national gold-plating or corresponding deviations, as well as from introducing new national regulations that, at worst, conflict with EU rules. The European Commission must act as a watchdog in this context, and at the same time enhance proper harmonisation at EU level, so as to help avoid market fragmentation and loss of economies of scale.

Fostering the Single Market requires

- full implementation and enforcement of common rules;
- avoidance of national deviations and new regulations conflicting with common rules.

Competition rules also play a central role to provide companies with a level playing field. While competition is the driving force of business and economic development, it also provides consumers with more choices and enables lower prices. By and large, the EU should enhance its competitiveness, resilience and global influence in a way that relies on sound competition, innovation and excellence, rather than on a spiral of subsidies and barriers on trade.

Besides effective market and competition rules, adequate **infrastructure** is a necessity for the functioning of the Single Market. It requires investment in future-proof transport, energy, and data networks, with particular focus on providing the critical infrastructure, which is crucial for emergency preparedness.

The restrictions and obstacles to transport and mobility during the pandemic were a reminder of the vital role of the free movement of goods and people, and the need to keep the Single Market functioning under all circumstances. The pandemic also stimulated the development of a Health Union, while the energy crisis reminded us of the importance of the Energy Union with all its dimensions, including effective energy pricing systems. An effective and competitive Capital Markets Union, geared towards financing the economic recovery and the digital and green transitions, is also more important than ever. The Single Market in data and common data spaces play an ever-increasing role too, as data is intrinsically connected to the capital, goods, and services markets and to energy and transport systems.

As an extension of the Single Market, international markets and open and rule-based **foreign trade** remain another foundation for the EU economy. In order to help businesses benefit from the opportunities of the global market, the EU must actively fight protectionism and enhance bilateral trade and investment agreements based on reciprocity. The EU also needs to avoid critical dependencies on politically risky countries, and instead intensify cooperation and trade with like-minded international partners, including through close transatlantic ties.

Making the most of foreign trade calls for

- avoiding critical dependencies on politically risky countries;
- enhancing cooperation and bilateral agreements with like-minded partners.

Rapid progress is needed in the ratification and implementation of finalised trade agreements (e.g. Mercosur, CETA) and in concluding ongoing negotiations. Full use should also be made of existing trade agreements, with specific attention to the needs of the internationalisation of SMEs. Moreover, a new attempt for a trade agreement with the US is needed, on top of solving the issue of the Inflation Reduction Act. Trade and international partnerships also play a significant role in climate change mitigation. By facilitating the export of climate solutions by companies, the EU can contribute to climate change mitigation much more effectively than by acting only domestically.

The **enlargement** of the EU provides opportunities to increase stability and strengthen the EU's geopolitical position, and to widen the Single Market. This applies to the Western Balkans, as well as to the countries of the Eastern Partnership that recently applied to join the EU (Ukraine, Moldova, Georgia), provided they meet the necessary criteria for EU membership.



BUSINESS FRIENDLY REGULATION AND TAXATION

Businesses need a policy framework that fosters entrepreneurship and encourages enterprises to innovate, invest and trade. This requirement applies equally to regulation, taxation and allocation of public funding.

All policy- and law-making in the EU should be guided by the **better regulation** principles, including the proper implementation of the “one in – one out” principle, the removal of excessive administrative burdens, and compliance with the proportionality principle. It is also necessary to minimise the overall cost burden caused by regulation and taxation to businesses and refrain from any increase in these costs, as long as the high inflation scenario prevails.

All policy and legislative initiatives must be based on sound facts and figures, and on proper impact assessment covering all stages of law-making. Specific attention must be paid to the multiplier impacts through value chains. Due account must also be given to MSMEs, with the aim of enabling and fostering – not restricting – entrepreneurship, and the ability to grow and expand. Given the evident need to improve the competitiveness of EU businesses, a **competitiveness check** must be embedded in the EU’s decision-making processes.

A proper competitiveness check comprises

- comprehensive assessment of competitiveness impacts; and
- their proper consideration in deciding on new initiatives.



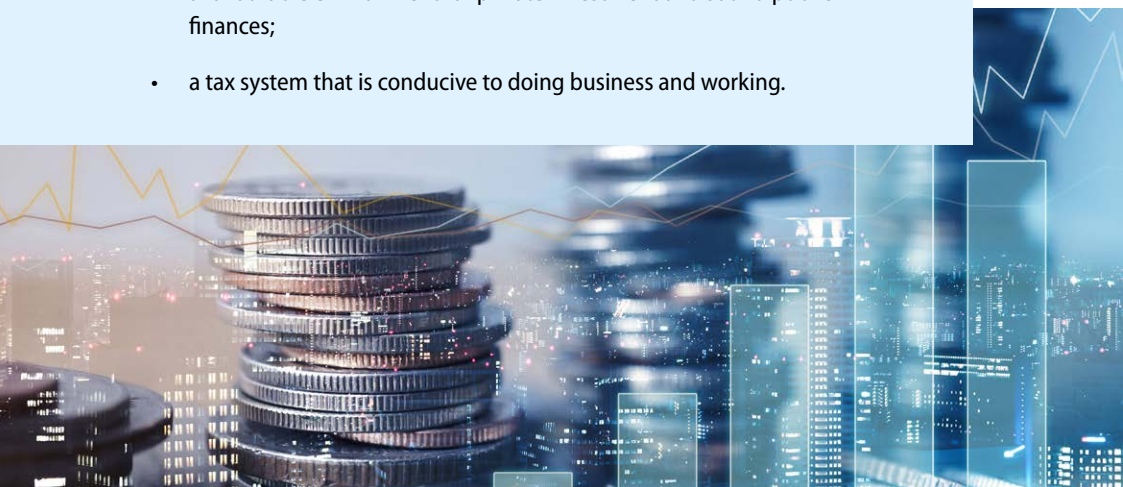
While harmonised rules and standards are necessary to facilitate trade in products, national solutions must be respected for issues that fall under Member States' competence. The use of delegated acts should be reconsidered and strictly targeted, as this type of regulation brings uncertainty and unpredictability to the business environment, and entails shortcomings in stakeholders' consultations and process transparency.

Permit procedures must be quicker for investments and other business activities, including hiring staff from non-EU countries, and permits need to be easier to obtain. The overall policy and regulatory framework must provide legal certainty for businesses and ensure consistency of requirements. These are important prerequisites for private investments, which are urgently needed to meet short and long-term societal needs. An encouraging environment for private investment is also the most efficient way to reduce the need for public spending and debt. Public investment supports and leverages private investment and is particularly necessary for tackling exceptional problems caused by the crises.

The development of the EU's fiscal framework should ensure mid- and long-term **economic sustainability** and fiscal discipline. Any reforms must not lead to increased taxation, ineffective public spending or debt for future generations. To enhance economic sustainability, the tax system must be conducive to investments and entrepreneurship, and encourage doing business and working. Moreover, tax levels in the EU need to be globally competitive.

Economic sustainability calls for

- a favourable environment for private investment and sound public finances;
- a tax system that is conducive to doing business and working.



This document discusses the short- to mid-term objectives of the EESC Employers' Group for policymakers to improve the business environment, and thereby the EU's competitiveness and conditions for creating prosperity for citizens.



**European Economic
and Social Committee**
Employers' Group

The EESC Employers Group brings together entrepreneurs and representatives of entrepreneur associations working in a vast array of business sectors, from industry to retail and from agriculture to services, representing all enterprises from SMEs to large businesses. Our members are active in the business world and bring the day-to-day reality of business in all EU Member States to the European level. They are genuinely committed to putting their own experience to good use to further the European venture. Alltogether, we represent over 20 million businesses on the European level. We are part of the European Economic and Social Committee and thus have a formal consultative role in the EU.



European Economic and Social Committee

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1040 Bruxelles/Brussel
BELGIQUE/BELGIË

Published by: "Visits and Publications" Unit
EESC-2023-19-EN

www.eesc.europa.eu

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Publications Office
of the European Union



Print

QE-09-23-031-EN-C
ISBN 978-92-830-5838-0
doi:10.2864/129721

Online

QE-09-23-031-EN-N
ISBN 978-92-830-5841-0
doi:10.2864/27636

EN