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Position Paper on the Future of Europe: A Future Europe that is Open for Business

Introduction

Discussion on the EU too often focuses on what is wrong, not what is right, where it has failed, not where it has succeeded. Overall, it is important to note that the positives of European integration heavily outweigh the negatives.

In order to progress, we must nonetheless address those negatives, many of which relate to barriers to growth and competitiveness, while also enhancing the positives. In this way, we will create a fairer and more integrated EU and favourable conditions for business activity, to the benefit of Europe and its citizens.

Constructive criticism is crucial to any democratic process and EUROCHAMBRES welcomes the current debate on the Future of Europe and is happy to contribute. We also welcome efforts to take this debate beyond the 'EU bubble' to citizens across Europe.

At the same time, we are perplexed by the nature of the online consultation prepared by citizens and disseminated by the European Commission. It addresses a seemingly arbitrary range of topics and misleadingly refers to matters that extend far beyond the competences granted to the EU institutions by the Treaty. Given these parameters, we have chosen to submit our response in the form of this position paper.

Executive Summary

EUROCHAMBRES calls for a Future Europe built on a solid Single Market and its four freedoms, enabling external strength in relation to trading partners and underpinned by a stable and predictable EMU. This requires a multi-faceted policy response, key components of which are:

- A favourable economic and legal environment
- SME friendly drafting, implementation and monitoring of EU legislation
- Ensuring that policy is transferred from meetings and documents to the market place
- Delivering the principles set out in the eGovernment Action Plan
- Guaranteeing fair and favourable trading conditions beyond the EU
- An EU Budget that corresponds with a growth-oriented policy agenda and that reaches its intended beneficiaries

1. What Does European Business Want From the EU?

From a business perspective, the key component of the European Union project is the Single Market, built on its four freedoms. **Business wants a solid Single Market**, based on internal homogeneity that enables external strength, and underpinned by a stable and predictable EMU.

“There is a tendency in Europe to talk in lofty tones of European Union. That may be good for the soul. But the body - Europe's firms and organisations and the people who work in them - needs something more nourishing.”

Somewhat ironically given the impending withdrawal of the UK from the EU, this quote from one of the Single Market's greatest proponents, former British Prime Minister Margaret Thatcher¹, captures well the view of the business community across the 27 remaining member states.

A core aim when the Single European Act was adopted over 30 years ago was that the entire EU would be perceived by every business as its home market. This was supposed to be the case from 1992, but over 25 years later, it has still not been attained. **Europe must be entirely open for business.**

In fact, Chambers perceive a growing tendency in some member states to under-deliver on already established pieces of Single Market legislation, such as the Services Directive. The Commission in turn, in its efforts to combat this trend, is tabling new legislation rather than fulfilling its role as guardian of the treaty by ensuring proper transposition and implementation.

The Single Market provides the foundations on which the EU's economic competitiveness can and must be built. Businesses require a solid Single Market in terms of internal homogeneity of rules and external strength in relation to global competition, opportunities and challenges. Economic stability is also pre-requisite to the EU's competitiveness and prosperity. These elements must be at the centre of reflections on the future of Europe.

1.1. Internal Homogeneity

The Single Market is a live project subject to economic, social and technological evolution. All of these elements challenge the effectiveness of the Single Market. Since 2004, the Single Market has been tested in particular by an enlargement of unprecedented scale, financial and economic crises and accelerated digital evolution. It has on the whole proved responsive to these elements. However, national protectionist measures and regulatory fragmentation still undermine the Single Market's homogeneity and act as a brake on the EU's competitiveness. These obstacles on the one hand hinder the Single Market from fulfilling its undisputed potential and, on the other hand, weaken one of its core pillars – fairness.

The cause of much of this protectionism and fragmentation is the manner in which national and regional authorities transpose and implement EU legislation. Gold-plating and heavy-handed administrative procedures translate into burdensome requirements for businesses.

¹ 18 April 1988 speech in London opening Single Market Campaign

We call on all of the EU27's heads of state and government to renew their vows to the Single Market and their commitment to its delivery at national and sub-national level. The Single Market is a lynchpin of the EU, so this must be a unanimous and unambiguous commitment made at the highest level and with full visibility.

In cases of non-compliance with European rules and circumvention of European regulation, the European Commission must invest in its primary mission as the watchdog of EU legislation. Having explored all options of cooperation, effective use should be made of existing instruments, such as complaints against breach of EU law, EU pilots, or infringement procedures.

Businesses also support the European Commission in its effort to enforce the rule of law in those member states that do not respect it.

The 2014-19 European Commission has overlooked the needs of the creators of jobs and economic welfare. Measures to protect consumers and the environment have outweighed initiatives designed to facilitate market access, complete the single market or address skills mismatches, some of the key issues for the business community. The 'think small first' principle of SME-friendly policy-making has been disregarded repeatedly.

This reflects a long-term trend at EU level. Previous EU competitiveness agendas – the 2000 Lisbon Strategy to make the EU *"the most competitive and dynamic knowledge-based economy in the world"* by 2010 never gained adequate momentum and its successor, Europe 2020, faded into the background several years ago.

All of this has contributed to a disadvantageous position for many businesses and a significant increase in the complexity of rules and administrative burdens. In a deep economic crisis, this could have had a greater negative impact. Despite this, we have experienced a sustained economic recovery.

Businesses want to see a shift away from this approach and call on EU institutions during the next legislative term to support the competitiveness of Europe in order to deliver more jobs and growth. This is the general premise that underpins EUROCHAMBRES' April 2018 [Declaration of Entrepreneurial Rights](#), which proposes priorities and measures to redress the balance of EU policy towards the needs of the business men and women who drive growth, innovation, employment and competitiveness.

Current EU regulation lags behind technological evolution and some EU rules in place are hindering the potential for digitalization. The EU has to respond to digitalization in a timely and effective manner. The importance of data to the economy and in new business models must be recognised and reflected in EU policy. Support to digital infrastructure is crucial, as well as an appropriate regulatory approach that aims at a level playing field for European and other providers.

Digitalisation is a key component of most business models, so enablers such as connectivity and security are crucial. The EU is instrumental in defining the legislative and infrastructure framework for digitalisation, as well as in helping to equip its citizens with the necessary skills and must do so in a manner that is business – particularly SME – friendly, remaining minimal and proportionate.

Europe must remain industrially strong and a global leader in manufacturing. The shift towards automation, data exchange and the emergence of artificial intelligence underline the importance of digital infrastructure in the EU's industrial competitiveness.

Closer cooperation between some member states is already a reality in certain areas, for example Schengen and economic and monetary union. However, other areas such as environment, energy, transport, social policy and the Single Market require EU-wide provisions that are implemented and transposed evenly to avoid a distortion of competition.

Notwithstanding this, the principles of subsidiarity and proportionality must be more consistently respected, not just in the interests of the business community, but in the broader interests of effective public policy and a strong EU.

Business welcomes the economic stimulus resulting from further integration of the European defence sector. By applying tailored industrial policy instruments, the EU needs to ensure that all relevant businesses in Europe, regardless of their size or origin, have an equal chance to participate in the market.

EU enlargement is not a risk to the future of the EU, but is about fostering peace, prosperity and reconciliation. EUROCHAMBRES therefore fully supports the Commission's 'credible enlargement perspective'. However, the Commission and member states should work more on leveraging results of the EU's enlargement process and neighbourhood policy to promote cross-border trade and investment.

1.2. External Strength

The degree of Single Market solidity also determines the ability of European economic operators to survive, compete and prosper internationally. Europe needs stronger external action instruments and greater unity in relation to third countries.

In the field of external policies – common commercial policy, foreign policy, security and defence policy - the EU needs political and legal instruments that allow it to speak with one voice. For businesses, it is extremely important that the **EU continues to pursue a strong common trade policy that optimizes its commercial and economic interests** and that EU economic diplomacy is coherent and efficient, demonstrating European added value and well-coordinated with existing national activities, in particular trade promotion.

As far as external aid is concerned, the EU needs to speed up its decision-making process in order to be in a position to compete with other global players.

1.3. Stable and Predictable EMU

To make Economic and Monetary Union more stable, resilient to crisis and competitive, **a stronger integration of economic, fiscal and financial policy** is necessary. However, a far-reaching shift of competences can only be envisaged if sufficient economic and social convergence among member states is achieved. A common fiscal capacity is not a substitute for better economic governance and does not have any disciplining effect on member states either.

Europe still suffers from a lack of implementation and enforcement of necessary reforms. Ineffective fiscal and economic policy in some member states not only weakens their competitiveness, but also jeopardizes the Monetary Union's stability as a whole. The European semester is therefore of crucial importance in guiding Member States in drafting and implementing structural reforms. That is the basis for investment, growth and employment, as well as sustainable financing of the European Union.

2. How Can This Be Achieved?

2.1. A favourable economic and legal environment

Policy-makers must acknowledge the inherent element of entrepreneurial risk in doing business, particularly in relation to high-growth, innovative activities. Officials and politicians from EU level down therefore need to embrace responsible risk-taking and innovation and reflect this in their decisions and actions.

At the same time, macro-economic stability needs to be ensured. Frailties exposed by the financial and sovereign debt crisis a decade ago have been addressed with a raft of new regulations and common prudential rules, but now a decision is needed on further steps towards the completion of the Economic and Monetary Union.

The European semester process has proved highly effective in driving the economic reform process at member state level. This mechanism must be maintained and indeed strengthened. It is crucial that it is organised in a manner that is inclusive of stakeholders such as Chambers, who can provide feedback from the real economy.

In addition, more must be done at EU level to ensure a better match between the expectations of financing providers and businesses, particularly SMEs seeking capital to scale-up and expand.

Furthermore, a fair balance between consumers' interests and companies' interests needs to be ensured. Contrary to this, businesses have experienced a considerable increase of EU legislation in the field of consumer policy. This has to be halted on grounds of subsidiarity and proportionality. Rather than establishing new legislation in this field or others, the Commission should more often focus on simplifying and effectively implementing existing legislation.

In this regard, the REFIT programme and its platform has the potential to deliver significant legislative simplification. To date, it has largely failed to do so and a relaunch is urgently needed if it is to fulfil this potential.

The European Commission should only propose initiatives when there is a clear European added value. Conversely, the European Commission should focus more on ensuring that policy measures initiated at EU level are implemented in a timely and effective manner by member state authorities, without gold plating.

By respecting the principles of subsidiarity and proportionality, overregulation can be avoided and a business-friendly environment established.

2.2. SME friendly drafting, implementation and monitoring of EU legislation

EU better regulation principles must be transferred from laudable guidelines and principles to the daily process of drafting, implementing and monitoring policy measures. Robust impact assessments taking into account the impact on SMEs are key to avoiding negative impact in practice. The need to ‘think small first’ is widely recognised and formally acknowledged by policy-makers, yet they still too often fail to apply this principle in practice. This must change if the next EU term is going to help SMEs - 99% of all European businesses and well over half of employment and value added – to prosper and drive competitiveness.

The Regulatory Scrutiny Board is in principle a positive addition to the better regulation agenda. This body however, needs to be independent and its rating of legislative proposals must be made more transparent when they are presented to the European Parliament and the Council,

When unavoidable, new EU legislation that creates additional burdens should at least be off-set by reductions in burdens in other legislation. This would ensure enhanced awareness by policy-makers that regulatory burdens on businesses - especially SMEs - cannot be allowed to accumulate endlessly.

More transparency in the EU legislative process, especially in the final stage (i.e. trilogues) and implementation would improve the enforcement of rules. Information on the transposition of EU rules into national laws should be published online in a manner that is easily accessible for the public in all languages.

More generally, there needs to be a greater effort from the institutions to communicate with businesses about how the EU and particularly the Single Market addresses their challenges and provides new opportunities. This can only be ensured through cooperation with established channels that reach down to grass roots level, notably the Chamber network.

2.3. Transferring policy from meetings and documents to the market place

Beyond the way in which it is drafted, policy effectiveness also depends significantly on the way that it is implemented. The European Commission must be more robust in ensuring the timely and efficient transposition and implementation of EU law at national and regional level. Member states must demonstrate more responsibility and awareness of business needs by avoiding gold-plating.

Implementation could be helped by establishing implementation groups consisting of member state representatives who meet and exchange approaches, ideas and challenges. A similar approach should apply to enforcement. This would contribute to a more level playing field or at least ensure a greater degree of transparency, hopefully resulting in a less fragmented Single Market and less competitive distortions due to national implementation.

A mechanism to identify and address cases where this is not happening already exists and has proven efficient, yet remains relatively unknown among businesses: SOLVIT. This must be reinforced and promoted, in cooperation with business representatives such as Chambers and efforts to ensure that legislation is transposed and implemented in a business-friendly, non-burdensome and coherent manner must be strengthened and enhanced.

Although Chambers do not believe that SMEs should be granted preferential access to public tenders, we are convinced that barriers to such access must be minimized. To this end, we call for proactive measures to facilitate SME access to public tenders, notably through dividing procurement projects into lots that correspond more realistically to the financial resources and delivery capacity of smaller businesses.

2.4. E-government

The 2016 eGovernment Action Plan sets out the key elements to achieve this and defines important principles, such as 'digital-by-default', 'once-only' and 'cross-border by default'. It is crucial that this action plan and these principles are carried over into the next legislative term and updated as and when necessary.

The EU institutions and member state administrations must allow businesses to use interoperable electronic procedures (e.g. legal recognition of electronic official instruments, electronic invoicing, or e-procurement) and provide them with the digital tools and support necessary. This will not only drive digital evolution across the economy, but also create massive cost reductions for businesses and taxpayers by significantly improving the efficiency of public administrations.

Interconnection among national authorities and uniform rules for electronic procedures across the EU must be ensured. A fully interconnected digital Europe would help businesses, especially SMEs, to go cross-border and capitalize on the opportunities of the Single Market.

2.5. Fair and favourable trading conditions beyond the EU

A successful trade policy ultimately depends on its successful implementation. To achieve this, SMEs need to be at the heart of EU trade policy-making. Ambitious SME chapters in trade agreements are not enough, as overly-complicated requirements – for example in relation to rules of origins - hinder SMEs from making use of them.

Dedicated internal implementation roadmaps must accompany EU trade agreements so that the benefits of trade reach entrepreneurs and SMEs in particular.

Chambers also call on EU heads of state, as well the European Commission and the European Parliament, to establish an EU wide political target of an average 75% preference utilization rate for all EU trade agreements.

There is unanimity among the European business community that tendering processes related to projects partly or fully financed by the EU have to respect the principle of reciprocity. Accordingly, access to such tenders for companies located in third countries must be conditional on an equivalent access for EU companies to third country procurement processes.

2.6. An EU budget that drives a growth-oriented policy agenda

The EU budget must be fit for the purpose of delivering the aims and objectives for the future of Europe. Efforts must be made to ensure that more funding reaches end beneficiaries, rather than being absorbed in reporting and administration if the EU budget is to represent value for money to the EU taxpayer.

The May 2018 Commission proposal for the next Multiannual Financial Framework and the subsequent legislative proposals relating to key instruments such as Horizon Europe, Erasmus+, Digital Europe, Single Market Programme and InvestEU are encouraging. Once finalised, the Commission and executive agencies need to work more closely with stakeholders and intermediaries to ensure that the various programmes' aims and objectives are achieved and perceptible.

Regarding revenue, we call for the current system of own resources to be maintained, as it takes into account the economic performance of member states. There is no need to introduce new, tax based own resources.

Policy-makers don't create growth and jobs, entrepreneurs do. But policy-makers must create a framework that enables entrepreneurs to do so and at the same time encourages entrepreneurship more widely. This concept must be at the heart of the debate on the future of Europe and, more importantly, at the heart of EU policy-making and delivery.

This input builds on the April 2018 EUROCHAMBRES Declaration of Entrepreneurial Rights, which contains 12 rights and numerous specific recommendations for the next EU term's competitiveness agenda. Link: bit.ly/12rights

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All our position papers can be downloaded from www.eurochambres.eu/content/default.asp?PageID=145

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 98% of which are SMEs – through members in 43 countries and a European network of 1700 regional and local Chambers.

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