

## EU Long-Term Competitiveness Strategy

**Restoring the long-term competitiveness of economic activity within the EU is vital, and success will depend on striking the right balance between short term and long-term EU challenges.**

Europe is facing strong economic headwinds. Higher energy costs are squeezing businesses, along with broader inflation and supply chain disruptions. Alongside the humanitarian crisis, Russia's invasion of Ukraine continues to have far-reaching consequences for EU businesses. Decisive measures are needed to raise Europe's competitiveness in order to support higher levels of productivity, employment and prosperity. But Europe's competitiveness and long-term, sustainable growth potential suffer from a history of underinvestment in important areas, an under-performing and fragmented single market, and regulatory burdens that impede in particular SMEs.

In light of the 30th anniversary of the internal market and at the request of the European Council, the European Commission will on 16 March present a long-term strategy for European competitiveness. This will feed into the European Council spring summit on 23–24 March.

Restoring the long-term competitiveness of the EU is vital, but success will depend on striking the right balance between short term and long-term measures. Addressing the short-term needs of businesses is imperative in the current climate, but we must not lose sight of the longer-term challenges.

The 2022 **Eurochambres Competitiveness Compass** defined four cardinal points that must be addressed to ensure Europe's competitiveness: Compliance, Skills, Markets, Resources

- **Compliance** – An efficient European regulatory framework is crucial for a business-friendly legislative environment. This requires a more substantive approach to reducing compliance and reporting costs from both existing and proposed new EU legislation. The quantification of costs in EU impact assessments (IAs) is too narrowly defined and the cumulative effect of other regulation and regulatory proposals in the same economic sector is not taken into account. The proposed new competitiveness checks should be driven by the quantification of the cumulative burden. This complex but important exercise requires mechanisms and funding to map regulatory obligations stemming from EU legislation, both horizontal and sector specific. To give relief to European businesses, Eurochambres urges for a solid regulatory burden reduction programme, in accordance with a “one in, many out” approach.
- **Skills** – The 2023 European Year of Skills is a timely opportunity to work on key EU level instruments to respond to labour market needs, such as mobility schemes, upgrading vocational education and training and forecasting tools. Well-targeted EU funding can also add considerable value.
- **Markets** – The single market should be accessible for all EU businesses, thus also providing a strong platform for Europe's international competitiveness and engagement in the global trade agenda. Moreover, the EU will need to factor the

realities of a new geopolitical landscape into its trade agenda and seize on opportunities this may bring. Different standards and gold-plating by member states undermine the single market, so, we need effective measures to address existing barriers to cross-border commercial operations, investment and innovation. Recent legislative efforts in the digital sphere seek to further remove barriers and complete the single market in that field.

- **Resources** – The energy crisis necessitates a coordinated EU response and joint initiatives. Measures to mitigate the acute short-term impact of rising prices must be combined with longer term initiatives to secure energy supply and provide a favourable environment for investment in renewables and the green transition. To capitalise on the EU long term competitiveness strategy, private investments should be sustained and incentivised more than other fiscal measures, such as temporary direct aids and tax reliefs. Striking the right balance between short term and long-term EU challenges is important especially for SMEs. The Commission has identified the issue of late payments as critical in this regard, but chambers also highlight the need to increase the financing of venture capital for innovative and sustainable projects and to further develop the EU's capital markets Union and a sound insolvency framework.

Europe's long-term competitiveness depends on addressing each of these points on the compass and a coherent and effective consideration of the needs of business across different policy areas and at all levels, from the EU down. This approach must characterize the remainder of the 2019-2024 legislative term and be central to the preparations for the next five years.



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