



19 October 2023

BusinessEurope's message to the European Council on 26-27 October 2023

Making business easier in Europe is the key to a better future

1. Urgent action is needed to repair the economy

The next 6 months are **the last chance before the European elections to wrap up the adoption of some essential pending EU proposals that will make business easier in Europe**, deliver the competitiveness strategy endorsed by the European Council in March 2023 and live up to the promises made in the 2023 State of the European Union address.

The mild winter 2023 helped steer the EU economy away from recession but the already insufficient **growth is slowing down** (0.8% growth in 2023 and 1.4% in 2024 in the latest forecast vs 1% in 2023 and 1.7% in 2024 in the previous one). We are lagging behind other continents because the regulatory burden remains significantly higher in Europe energy prices are still significantly above their long-term average. Moreover, recruitment problems continue to weigh on growth, inflation exceeds the 2% target and falling consumer confidence as well as increasing borrowing costs undermine consumption and investment. **Urgent action is needed.**

Public funding is not a sustainable solution. The developments of crucial future oriented sectors such as biotech and AI is being held back in Europe by overly complex approval procedures and a risk-adverse policy bias which hampers innovation, discourages entrepreneurship and undermines investment, more than by a lack of public funding. The sustainable answer lies in removing the regulatory hurdles, in particular for SMEs, and in accelerating planning and permits to investing, innovating, producing and commercialising in Europe on the one hand and concluding new trade agreements to diversify import and export markets for European companies on the other hand.

2. Mitigating the impact of the US IRA

Actions were taken by the EU Commission to **mitigate the negative impact of some of the discriminatory provisions of the IRA**. BusinessEurope welcomes this and hopes that an agreement on critical raw materials can be concluded soon. However, the ongoing work in the Trade and Technology Council needs to be further advanced to improve the transatlantic market for clean goods and technologies and reduce the cost of doing business across the Atlantic for companies. When temporarily relaxing EU state aid rules, the EU must find the right balance to avoid a subsidy race and preserve a level-playing field within the Single Market. Furthermore, the EU still needs to do substantial work to address the structural factors that undermine the attractiveness of Europe as an investment location compared to the US.



3. Boosting our competitiveness

BusinessEurope regrets that the **importance of the Single Market** was not sufficiently underlined in the State of the Union speech. We look forward to the report on the Future of the Single Market to be produced by Enrico Letta at the request of the European Council. Putting in place a fully-fledged strategy to advance Single Market integration would send a strong signal to investors. This strategy should ensure that the EU is taking a coherent policy approach aimed at removing regulatory barriers to cross-border business operations and ensuring effective implementation of existing Single Market rules. It should shift the focus from regulating digitalization towards facilitating the scaling up of digital goods and services production across Europe. It should include new measures to facilitate services and labour mobility and recognition of qualifications.

Furthermore, this Single Market strategy should be flanked by **effective responses to labour shortages and skills mismatches**, as part of an action plan with measures to activate the unemployed as well as inactive people, working with the social partners to address mismatches between skills acquired via education and training systems and companies' needs, paying special attention to the skills required for the green and digital transitions, supporting the upskilling and reskilling of workers, recognizing the positive contribution of talents from third countries in answering labour market needs and making progress on recognition of skills and qualifications within Europe and with respect to third countries' nationals.

With this in mind, BusinessEurope calls on the European institutions to finalise the adoption of:

- a **Net Zero Industry Act** with strong simplification and a fast-tracking of permitting provisions for the targeted sectors and opening the way to further simpler and faster procedures for the whole industry;
- a **Critical Raw Materials Act** that also simplifies and accelerates permit procedures, while keeping information as well as disclosure requirements for companies to the minimum necessary, fully protecting trade and business secrets and closely involving industry in its implementation;
- a **reform of electricity market design**, which supports market-based long-term contracting to reduce the influence of gas price swings and leading to a future-proof electricity market, with clear long-term signals for investments that help reaching the ambitious European climate targets and, at the same time, guarantee security of supply at competitive prices;
- mutually beneficial **new trade agreements** with Mexico, Chile, Mercosur, Australia, New Zealand, and India to diversify import and export markets for European companies;
- a credible, respected, investment and growth-friendly **economic governance framework** that helps construct medium-term adjustment pathways is needed to return to the reference values of 3% of GDP for government deficits and 60% for



debt, and ensuring that greater flexibility goes hand-in-hand with credible enforcement (linked to the possible withdrawal of EU funding) in order to ensure public finances sustainability across the EU;

- an **e-declaration** to notify a posting of worker and revised EU rules on the **coordination of social security systems for posted workers** that facilitate short-term mobility and business trips.

We urge the European Commission to:

- live up to its commitment of presenting ambitious proposals to **reduce reporting requirements by 25%** for companies and work with the industries concerned to identify the regulatory obstacles hampering the development of crucial sectors for the future;
- fully apply **competitiveness checks** on all EU regulatory initiatives, taking into account the cumulative impact of EU legislation on companies, as well as on EU strategies and Commission work programmes;
- foresee **adequate means to make effective and legitimate use of the EU trade defence instruments** that were recently adopted.

4. Supporting Ukraine

BusinessEurope reiterates its support to **Ukraine**, its people, their European ambitions and underlines the need to help Ukraine in its efforts to fulfil the key requirements of EU membership, ensuring in parallel that emergency support continues to flow and that infrastructure and businesses are kept operational.

Furthermore, to increase the production capacity of the European defence industries and ensure that European defence companies have the means to supply Ukraine as well as European defence, it is fundamental that ESG rules support the financing of this important sector. Otherwise, they will not have the necessary access to finance to ramp up production and accelerate the development of the required production capabilities.

5. An adequate EU budget

Concerning the review of the **Multiannual Financial Framework 2021-2027**, BusinessEurope acknowledges that the EU needs an adequate budget to address common challenges. Higher than expected inflation has reduced in real terms the size of the budget agreed in 2020. Furthermore, the EU needs the resources to properly support Ukraine. However, before increasing the budget, we should thrive for improving the efficiency of EU expenditure, including through the use of financial instruments. Moreover, it is crucial to ensure that any proposal to raise additional funds for the EU budget does not deter investment and have a direct or indirect adverse impact on companies' costs.



We welcome further initiatives to stimulate investments in innovative technologies in support of EU's competitiveness. The proposed **Strategic Technologies for Europe Platform** (STEP) can help support the EU's economy competitiveness in key global markets of the future. With an evaluation system to monitor its implementation and further improvements if necessary, STEP can be an important means of reducing the complexity of accessing EU funds for businesses, and a starting point for the streamlining of the growing number of EU programmes.

These are the measures that need to be taken in order to improve our economy, strengthen Europe's position in the world and deliver economic and social progress.

BusinessEurope welcomes the renewed commitment to work on the resilience and long-term competitiveness of the European Union expressed in the Granada declaration and counts on the European Council to put this commitment at the centre of the Strategic Agenda of the European Union in 2024-2029.