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The EU needs a coherent global strategy and must tackle uncertainties dampening recovery

BUSINESSEUROPE believes in Europe. The European Union is facing many challenges but it also has many assets and talents on which to draw in order to overcome present difficulties. Companies are definitely part of the solution. However, they need a stable and supportive environment. They need more Europe in areas where single member states acting separately will not be able to answer legitimate requests for a more secure and prosperous Europe.

According to our latest economic outlook, the modest economic recovery in the European Union and Euro Area should continue. However, urgent action is needed to address the international, European and national factors of uncertainty which are undermining companies wishes to invest, grow and foster employment in Europe.

Current risk factors include reform fatigue in some European countries, the slowdown and rebalancing of China, the potential for renewed financial market instability, the upcoming UK referendum as well as the ongoing migration crisis and the strain it is placing on the Schengen agreement. Urgent action is needed as these risks can lead to postponing firms' investment decisions and dampen European growth and employment.

More than 30 million European jobs depend on exports outside the European Union. International trade and investment flows spur competition, productivity and job creation. In order to strengthen growth and further improve employment in Europe, we need to focus on opportunities of market opening and implement policies to remove obstacles to international trade and investment as well as bottlenecks to growth or job creation and barriers to cross-border business in our single market.

A coherent global EU strategy with a strong economic pillar

Instability around the EU borders, terrorism, security threats and the refugee crisis are having an impact on business and the day-to-day life of companies. Furthermore, international economic tools are increasingly used to pursue political objectives. The EU's economic interests must be promoted if we are to secure the strong economy which will allow Europe to face its many challenges and regain its global leadership.

The European institutions must define a coherent global strategy for the European Union, aimed at ensuring world leadership in trade and investment. The economic dimension must be an integral part and provide a long term economic vision. Trade policy, including market access for goods, services and resources as well as modern and effective trade defence instruments, must be the central pillar of this EU global strategy.

Using a single EU voice in the international arena allows to better promote our economic interests. EU leverage must be used to open new market opportunities for European companies in third markets, ensuring strong coordination between EU and Member States' actions and in close cooperation with business.



The European Union must press ahead with ongoing free trade negotiations. BUSINESSEUROPE is in favour of the conclusion of ambitious agreements with the United States as well as with Japan as soon as possible. However, a speedy conclusion cannot be at the expense of substance. The transatlantic trade and investment partnership to be concluded with the US and the free trade agreement to be finalised with Japan have to address both tariff and non-tariff barriers to trade for both goods and services, improve access to public procurement, enhance regulatory cooperation and ensure adequate investment protection. In the short term, it is important that the EU adopts the EU-US Privacy Shield this June to support digitalisation and restore certainty in the transfer of data.

We also count on the European Council to adopt a decision authorising the signing of the CETA agreement with Canada and its provisional application beginning of 2017 and call on the European Parliament to support this. This agreement is expected to increase trade in goods and services between the EU and Canada by nearly a quarter and to increase EU GDP by about €12 billion a year. It sets extremely advantageous rules in important areas for the EU such as public procurement and intellectual property rights (including geographical indications). Two years have passed since negotiations were concluded and we need to make this agreement a reality. Time is of essence for business. If we are not in the market, others will be there before us.

China has emerged as an important player on the world scene and is a key trade and investment partner of the EU. It is important to strive for a sound and balanced economic relationship with China. International engagement is key in resolving the sensitive question of China's market economy status. This is not a bilateral issue and the European Union is not alone in taking this decision. Europe should coordinate with other major WTO members in order to avoid trade diversion as a consequence of differing views. The EU should reach a decision that is in line with WTO and EU law and takes into account the remainder of Section 15 of China's WTO accession protocol. It is important that the EU maintains effective trade defence instruments that reflect the real market situation in China today and in the future.

There is a general need to communicate better the benefits of international trade and investment for growth and employment in Europe to the wider public. However, at the same time, the European Union must press ahead with necessary domestic reforms in order to maximise the benefits drawn from the development of international trade for all European citizens

Clear governance and full coherence between the international agenda of the EU, aimed at enhancing opportunities for European companies abroad and internal economic policies to promote competitiveness and innovation in Europe, have to be ensured.

Pro-competitiveness policies to boost investment, growth and employment

Currently, a gradual increase in consumer spending is the key driving force behind economic growth in Europe and investment is picking up. However, higher imports than exports growth lead to a negative contribution of net exports to European GDP growth.

Moreover, the European investment recovery proceeds at a much slower pace than in the US or Japan and strong differences among European countries remain.

Minimising political uncertainty and further improving the investment climate through pro-competitiveness domestic and European policies is therefore essential.

BUSINESSEUROPE supports an independent European Central Bank (ECB) acting under its mandate to undertake the measures it believes are necessary to maintain price stability, and without prejudice to this, to support the economic policies of the European Union including full employment and balanced economic growth. However, the ECB's actions must be supported by structural reforms to increase growth capacity.

We have made progress, but efforts to improve integration and economic governance in our Economic and Monetary Union, and in the Euro area in particular, must be pursued. We must firmly continue on the path of growth-enhancing reforms and fiscal consolidation where necessary. At the same time, we must speed up the work to remove obstacles to investment, develop our Single Market, digitalise our economy, simplify legislation at all levels and improve effective implementation of single market rules in order to improve the overall business environment.

Safeguarding Schengen

The Schengen Agreement that abolished border controls between 26 European countries is one of the most important achievements and visible symbols of European integration. But massive inflow of refugees led some countries to introduce temporary border controls.

A fragmentation of Schengen would lead to wide-ranging and significant negative economic consequences at a time when the economic recovery remains fragile. Moreover, a breakdown of Schengen, which has been a cornerstone of economic integration, would reduce confidence in the EU. It is therefore vital that Member States and the Commission take all necessary measures to safeguard Schengen.

As clearly stated in the conclusion of the European Council meeting on 18-19 February 2016, "the objective must be to rapidly stem the flows, protect our external borders, reduce illegal migration and safeguard the integrity of the Schengen area."

BUSINESSEUROPE supports the EU's strategy to strengthen Europe's external borders, including both immediate contingency actions and measures requiring more time to be fully implemented. We are fully aware that securing our external borders in a smart way is a large-scale project which necessitates adequate public investment. In this specific case, we support increased EU means to better protect our external borders. We believe that this can also be a win-win for all sides, triggering investments into relevant technologies.

Only with a strong economy can Europe live up to the many challenges facing it. Companies are part of the solution but they need a stable and supportive environment. Protectionism can only undermine the single market, hamper international trade and threaten the recovery. The answer lies in taking bold actions at national and European level to improve the overall business environment in order to boost investment, growth and employment in Europe. Swift progress is also needed in opening new market opportunities for European companies in third countries. Europe must speak with one voice, bring real European solutions to common European challenges and act in a coherent way.