



6 September 2017

## THE WAY FORWARD: THE BUSINESS VISION FOR THE FUTURE OF THE EUROPEAN UNION

Europe is one of the best places in which to live, work, and do business in the world. And this is not by chance. **The European Union made the European way of life possible**, entrenched in freedom of thought, speech, movement and enterprise, safeguarding different cultural identities and traditions within a borderless single market, with unparalleled investment in social safety nets, while promoting democracy, peace, the rule of law, and prosperity within its members and beyond.

The EU is however facing unprecedented and critical challenges due to a fast-changing and uncertain world, and the alienation of certain groups of European citizens vis-à-vis the EU given the difficulty to perceive the benefits conferred by the European project. **The EU must be the place where we find common answers to common challenges.** This is why, more than ever, the EU needs to come up with new solutions in areas where it can deliver concrete benefits and where EU action provides for clear added value, such as the single market, the common currency, the common trade policy, innovation and security.

Companies, as main creators of jobs and growth, have a central role to play. Companies are a key pillar of the success of the EU and the euro, providing the basis for economic and social progress to go hand in hand, and contributing with solutions to societal and environmental challenges. Moreover, European companies are drivers of innovation and creativity and respect high standards regarding labour, consumers and the environment. Their capacity to maintain and even improve these qualities must therefore be safeguarded. However, **European companies will only be able to fulfil their role and set an example to be followed by the rest of the world if the competitiveness and economic sustainability of our system is proven.**

BusinessEurope is a strong supporter of the European project and has been at the forefront of its construction right from the beginning, already during the preparation of the Treaty of Rome. **BusinessEurope therefore feels a strong responsibility to make sure we move forward united and undertake all necessary efforts to build a stronger Europe.**

Improving and adapting the European project is a continuous process. During the past years, the EU was in a crisis management mode, but we are now on a steady recovery path with stronger growth and decreasing unemployment. The current window of opportunity must be used to the full to set out the next steps. **The time has come to take bold decisions on the way forward.**



This is fundamental in order to safeguard what we have accomplished this far: the best successive decades this continent has ever lived. This is visible in everyday life through achievements such as the easiness to travel, study, work, or to do business in Europe, and do payments with a common currency in Eurozone countries. **We must avoid the mistake of taking the immense opportunities the EU provides as given.**

To repair the damage of years of blame game concerning the EU, member states, together with the EU institutions, have the joint responsibility to define an effective way forward and develop a positive narrative regarding the European Union. This is a crucial aspect in the discussions on the future of Europe. It must be fully factored in as part of the effort of bringing the European project closer to its citizens.

Securing the free movement of goods, services, capital and persons through the single market and staying open to the rest of the world provides fundamental conditions for companies to grow and create jobs. Full respect of the rule of law by all member states must continue to be ensured as it is an essential condition for business to operate and a pillar of the values system of the EU. The EU must be mindful of the impact of its policies on the competitiveness of its companies, especially in times of fierce global competition. The functioning of the EU must also become more efficient. Europe must act only where real value and progress can be achieved, and this includes doing less in specific areas.

**BusinessEurope and its member federations have an ambitious goal for Europe.**

We have analysed and discussed possible ways forward on the basis of the five scenarios presented in the European Commission's *White Paper on the Future of Europe* and subsequent reflection papers. We believe that both scenario 1 "*carrying on*" and scenario 2 "*nothing but the single market*" are not an option, as stagnation and rolling back the EU will not allow to tackle the challenges at hand.

We consider that the way forward must focus on the core elements from scenario 4 "*doing less more efficiently*" and some aspects of scenario 5 "*doing much more together*" reflecting a longer-term perspective, enriched with some additional features, as described in further detail later in this paper.

To achieve our ambitions for the European Union, some elements of scenario 3 "*those who want more do more*" could be used as an instrument and a process. This should be exceptional, fully respect the rules of the Treaty, open to all members. At no point should it create barriers or jeopardize the proper functioning of the EU single market and its four freedoms. It should be noted that the governance of the EU can become even more complex in a scenario of multiple and different levels of integration among several EU countries. It is essential to preserve the consistency and coherence of the whole European integration process. Europe has to remain integrated, transparent and cohesive.



**Key features for a prosperous future**

Below we present in more detail the elements that businesses believe to be fundamental to the way forward for the European Union, in priority areas for a Europe that delivers.

<p><b>Complete and strengthen the single market</b></p>	<p>The single market is at the core of the EU's success as it is the most important tool for Europe to deliver tangible benefits, prosperity and welfare to its citizens and companies. To realise all of the potential of the single market, the European business community calls for a renewed commitment to the single market and for an ambitious agenda to remove all remaining barriers that continue to hamper free movement.</p> <p>While the single market is Europe's greatest asset, we are highly concerned about new protectionist trends in some parts of Europe and the introduction of new national measures in many member states that fragment the single market and considerably hinder free movement. Furthermore, diverse interpretation of agreed rules makes companies' lives very difficult, for instance in the area of goods, services and road transport. It is fundamental for companies that extra or differing national requirements are held to a minimum and only kept when justified. Businesses need a stable regulatory environment, which is transparent and predictable to operate well throughout the single market.</p> <p>Better implementation of agreed EU legislation, correct application and stronger enforcement of existing rules are key to create this needed certainty and confidence to do business across borders. This much-needed certainty will trigger investment, create new business opportunities and boost cross-border entrepreneurship.</p> <p>Furthermore, it is paramount to remove remaining obstacles to free movement and market access once and for all, and to create a fair level playing field to the benefit of consumers, citizens and businesses across the EU. In the area of services, Europe needs pragmatic proposals to unleash the potential of and facilitate cross-border service provision, which is the least developed of the four freedoms. In the area of goods, companies continue to be faced with obstacles to mutual recognition in the area of non-harmonised products and with unfair competition from non-compliant products in the area of harmonised products. More common and effective enforcement is needed to support companies in providing their goods across the single market.</p> <p>The EU should also set clear objectives for reducing the regulatory cost of business with concrete improvements, establishing consultation with affected stakeholders, increasing transparency, improving impact assessment of planned legislation and evaluation of existing regulation.</p> <p>Last but not least, we must also continue the transition towards a true <i>digital</i> single market to create renewed growth and jobs. The free movement of data is fundamental to Europe's digital transformation and remaining competitive globally. This means ending national data localisation measures and supporting the free flow of data rather than blocking it. To compete effectively worldwide, Europe also needs a more</p>
---	--



	<p>innovation-friendly approach to empower companies in the digitalisation process and to foster the creation of new business models, while offering the legal certainty and stability needed to make the necessary investments.</p>
--	--

<p><b>Strengthen the European arm in trade policy</b></p>	<p>The EU has a leading role to play in the process of globalisation by strengthening companies' ability to face global competition and by concluding ambitious trade deals which are able to promote a race to the top. Ensuring that the benefits of globalisation are widely shared across society is essential. However, this is mainly the domain of national flanking policies. In the follow-up to the reflection paper on harnessing globalisation, it is important that the European Union does not overload its trade agenda with priorities belonging to other policy areas.</p> <p>The EU's common trade policy needs to continue to focus on generating new trade and investment opportunities for our companies by opening markets. The EU's common trade policy must be re-empowered and the commitment to the multilateral trading system reiterated and completed by comprehensive and ambitious plurilateral and bilateral agreements. In comprehensive trade agreements that go beyond the areas of exclusive EU competence, procedures must be found to enable Europe to play its role credibly and effectively in the world.</p> <p>The announcement of an agreement in principle in the EU-Japan free-trade agreement negotiations is a good step and sends a very positive signal to the world that free trade and rule-based trade remain in place. European business has always been in favour of an ambitious and comprehensive agreement, and the final agreement should match these expectations. The EU must send clear signals to the new U.S. Administration that we remain committed to strengthening the transatlantic partnership, including through an ambitious trade and investment deal.</p> <p>It is also necessary to give a firm boost to EU-Mercosur negotiations for an association agreement, and strengthen economic relations with African countries through an effective combination of trade, investment and development. The EU external investment plan must be swiftly agreed and rolled out in a manner that ensures broad participation of business.</p> <p>There is a lot of debate in advanced economies about the impact of China's rise and its asymmetric openness. The European Union must also engage with China and other new global market players in order to build fair and mutually beneficial economic relations, while ensuring reciprocity. The EU must use all instruments available to achieve this objective.</p> <p>The EU must modernise its trade defence instruments and make sure that they follow an objective methodology based on technical criteria compliant with WTO rules, are effective in restoring a level playing field and impose no additional burden on EU economic operators as compared to the current system.</p>
---	--



	Preserving the conditionality of Turkey’s EU process, both sides should focus on starting the negotiations on revision of the customs union and making further progress in the fields of digital economy, security and energy, while emphasising the importance of rule of law and democracy.
--	---

<p><b>Deepen the Economic and Monetary Union</b></p>	<p>Following the economic crisis, the EU made important progress in strengthening the EMU. But since the publication of the 2015 Five Presidents report on completing the EMU, progress has been too slow. Several steps must be taken to consolidate the Euro-area and ensure its stability. The Economic, Financial, Capital Markets and Fiscal Unions must be completed.</p> <ul style="list-style-type: none"> <li>– Greater priority must be placed on making sure the EMU delivers convergence towards strong growth rates in all member states. Competitiveness needs to be placed at the core of the Economic Union, with a reinforced European Semester which focuses on a better coordination of national economic policies and the implementation of structural reforms, as well as a strengthened implementation of the macroeconomic Imbalances Procedure in both deficit and surplus countries;</li> <li>– A full Banking Union must be put in place, with its three pillars of supervision, resolution and deposit scheme, to address the continued fragmentation of EU savings and credit markets;</li> <li>– A comprehensive Capital Markets Union must be implemented in order to strengthen cross-border capital flows, reinforce the resilience of the Euro-area to asymmetric shocks, and help companies access diversified funding sources;</li> <li>– The efficiency of the fiscal rules must be improved, encouraging governments to pay more attention to the quality and composition of their public finances, with an orientation towards productive investment, helping to ensure fiscal consolidation takes place without tax increases.</li> </ul> <p>A Euro-area fiscal capacity or stabilisation fund must be foreseen to strengthen the long-term stability of EMU and its ability to handle asymmetric shocks to one or more of its economies, fully conditional on Members States implementing structural reforms and ensuring that it does not lead to an increase in the overall tax burden in the Euro-area.</p> <p>Progress in building the Economic and Monetary Union must be made in a way that protects the interests of all member states, with the door remaining open to the participation of non-Euro-area countries.</p>
--	--

<p><b>Launch a renewed industrial policy for Europe</b></p>	<p>The EU must urgently set a European industrial strategy, where industry and services work in close partnership, based on openness, innovation, digitalisation and technological progress. In a context where all major competitors are setting their own industrial strategies, the EU must reject some of the elements trending today, including protectionist tendencies, and set a forward-looking agenda based on our strengths and able to create wealth and strengthen the competitiveness of Europe. The European Council, the European Parliament and the Competitiveness</p>
---	--



	<p>Council called on the European Commission to develop an integrated EU industrial strategy and we fully support this call.</p> <p>Europe must capture the qualities of the current industrial base and seize the opportunities in the macrotrends that lie in front of us, developing a horizontal framework ensuring that the conditions for all businesses are optimal and allow for industry to adapt to new developments, such as digitalisation and low-carbon economy. Europe must also continue the development of a larger and more integrated European energy market which also allows for more affordable energy prices.</p> <p>Automation and digitalisation will bring transformation in terms of content and role of many jobs. Efforts that increase the supply of qualified work force, education and increased labour market mobility will be critical. Countries should also contribute to life-long learning opportunities by providing the right incentives for career change, re-education and allow for more flexible labour markets.</p>
<p><b>Promote quality public and private investment</b></p>	<p>Europe must pursue a comprehensive European investment policy, using different tools for different objectives, including cohesion policy, an extended European Fund for Strategic Investment (EFSI), and effective action across the full range of policies to bring down the barriers to investment.</p> <p>The EU must also promote productive public investment, strengthening the support and incentives for governments to orientate their public expenditure towards high-quality investment and expenditure that can support long-term growth, and catalyse private investment around innovation, technological development and digital transformation. The Stability and Growth Pact (SGP) must be properly enforced but it should give the fullest support possible to member states who wish to orientate their budgets towards investment and growth-supporting expenditure.</p>
<p><b>Modernise the EU budget and EU cohesion policy</b></p>	<p>The next Multiannual Financial Framework will need to speed up the important transformations which have been steadily occurring in the EU budget, reflecting the profound transformations Europe underwent in the past decade. It must combine predictability with a greater need to react to unexpected events; deliver on EU public goods, including through new priorities such as in the areas of security and defence; play a greater role in innovation, and continue to move towards a <i>performance-based budget</i>. A number of concrete proposals present in the reflection paper on the future of EU finances that reflect these objectives should therefore be investigated in more detail.</p> <p>Cohesion policy should definitively move to a rationale of investment, competitiveness and structural improvement. This will be necessary to boost the success cases of this policy while at the same time achieve greater convergence between member states, a necessary condition for a proper functioning of the EU and a prerequisite to political cohesion and unity.</p> <p>The EU cohesion policy must modernise and simplify the way it operates, setting a medium to long-term framework. It must be an integral part of a</p>



	<p>European investment strategy, with a strong territorial approach, aiming at empowering each region with the necessary tools to improve structural conditions and build up their competitiveness.</p>
<p><i><b>A social dimension promoting employment</b></i></p>	<p>The EU social dimension must focus on promoting social cohesion, rooted in employment creation and active participation in society, with a particular attention to tackling youth unemployment and long-term unemployment.</p> <p>Europe needs more jobs, not more legislative measures that undermine job creation. This means that Europe must be more efficient and do less regarding social legislation. Labour market reforms can only be determined at national level and burdensome EU legislation can undermine job-enhancing reforms.</p> <p>We find that the scenarios put forward by the reflection paper on the social dimension of Europe either contradict the subsidiarity principle or limit the social dimension too narrowly to free movement only. An extra scenario which includes elements of a genuine partnership for reform, which focuses on the enforcement of already existing social directives, and which aims at reaching a common understanding of EU added value on social issues, is absolutely necessary. Member states should therefore carefully consider, together with their social partners, what would be the real impact of the different ideas proposed on employment, social regulatory frameworks and industrial relations practices across Europe.</p> <p>Economic and social convergence can only go hand-in-hand. It is a gradual process. Forced harmonisation creates harmful divisive debates and, in the end, turns people against Europe. National competences must be respected. Companies and workers must be supported in their efforts to bring their contribution to society. Legislation must always leave room to private initiatives. The autonomy of employers and workers, as social partners, must always be respected at all levels, including at the EU level. Employers and workers are very often able to find balanced solutions to the problems they encounter. This ability must not be undermined by excessive and, sometimes, incoherent legislation.</p>
<p><i><b>Improve security for citizens, manage migration, protect Schengen and enable defence</b></i></p>	<p>Security is today at the centre of citizens' preoccupations and is also a necessary condition for economic stability and growth. This requires that the EU puts a greater focus on security and defence policies, and improves the management of its external borders, in order to safeguard free movement within the Schengen area.</p> <p>Cooperation in border management, asylum policies and counter terrorism matters must become more systematic, with interoperable solutions across countries and agencies, involving real-time information sharing.</p> <p>To manage migration properly, member states must integrate those migrants rightfully staying in Europe, and business organisations and companies continue taking initiatives to contribute to this.</p>



	<p>Management of the EU’s external borders must be improved with a new border security paradigm, with a short-term approach to equip member states facing the strongest pressure with the necessary competent authorities, flexible and mobile packaged systems and services; and a longer-term approach for the progressive establishment of an EU integrated and intelligent border security system for our external borders.</p> <p>In terms of defence, increased efforts for research and innovation capacity are needed, and they must follow a real industrial logic to develop competitive solutions, with potential positive spill-over effects across the economy.</p>
--	--

<p><i>Enable Europe to play its role in foreign policy</i></p>	<p>The EU must speak with one voice on foreign policy issues. The Iran nuclear deal and implementation of sanctions against Russia are clear examples of what the EU can achieve when it takes a leadership role on the global foreign policy scene.</p> <p>Global problems require global solutions. Therefore, the EU, with its unique diplomatic power, must further strengthen its engagement in international fora to help address long-term issues and restore peace and stability in neighbouring countries, and help reach global solutions.</p>
--	--

European leaders must show unity, vision and leadership in view of the growing global challenges, with geopolitical instability, protectionism, populism and extremism.

The functioning and governance of the European Union and the Eurozone must be improved and streamlined, with strong and efficient EU institutions, open to dialogue with relevant stakeholders, pulling in the same direction and with more effective procedures in areas of European added value. This will be necessary to bring concrete solutions to meet European citizens’ expectations.

With the elements set out in this paper, we can build a Europe that sets out a vision for the future, and a Europe which delivers growth and jobs along the way.

BusinessEurope and its member federations stand united in expressing support for the European integration project, based on our common European values, and are ready to contribute to its continuous progress.

