

BusinessEurope ASG meeting, 8 November – summary

Overview

Senior European business leaders and representatives from the European Commission met for a wide-ranging, open and frank discussion about the challenges and opportunities Europe is facing. The annual meeting offers a valuable opportunity for the Commission to communicate its activities and vision to the business community, and to hear the views of major employers. There were useful exchanges on specific policy areas as well as on broad reflections on the future of Europe.

The message from business leaders is that these are difficult times for the EU and the world, and the EU has a valuable and important role to play. The pace of change is fast and getting faster, with transformations in technologies, business models, demographics and politics interacting with global trends including global migration, populism, and anti-trade & anti-globalisation sentiment.

In this context, businesses expressed a view that the EU needs more clarity on its identity and function, exacerbated by the UK's vote to leave the EU. What is the EU's role, its mission, its purpose? There was agreement that the EU should be more confident than it sometimes seems, as it is still among the richest, most stable regions, and remains among the most attractive place to do business. The EU is and can continue to be a world leader in many areas. Critical factors identified by industry participants include: getting the balance right between the innovation imperative and precautionary principle in areas of rapid development; and facilitating investment with stable, secure and predictable conditions both within the EU and beyond its borders.

Industry stakeholders were invited to shoulder part of the responsibility for retaining what works and improving what can be improved – highlighting the benefits of integration and need for investment to its stakeholders, and identifying and communicating problems and possible solutions to policymakers to inform their reflections.

Session 1: External Affairs

There was agreement that trade and investment are key for the competitiveness of the EU and should remain central to the EU's long-term vision. The CETA was warmly welcomed as the best trade deal the EU has ever signed. It is a positive move for the EU and for the global trade conversation.

The EU is strong on the world stage in this area – the EU plus Member States are the number one investor, trading partner and provider of aid and development everywhere in the world. The EU offers a stable, rule-based environment and EU governance and business practices are interesting and attractive to many other parts of the world.

HRVP Mogherini recognised that investment – both investment of EU companies in third countries, and of other companies in the EU – depends heavily on management of the non-economic risk factors (e.g. stability and security, enabling long-term planning). The EU places emphasis on the long-term sustainability of investment – taking into consideration climate, governance, rule of law, demographic and social issues, and linking in to the Sustainable Development Goals.

Business welcomed updates on the EU's economic diplomacy strategy to align strategic and economic actions, and on the External Investment Plan which is designed to tackle these issues and give investors greater confidence when investing in EU's neighbourhood and Africa. It is in the EU's strategic interest to contribute to a more stable and prosperous Africa, which in turn creates more opportunities for European businesses.

The business community was encouraged to be more open about the advantages of free trade and migration, and about the disadvantages of closing down flows of goods, capital and people. The business community was also encouraged to speak with greater alignment and clarity on horizontal issues in third countries, for example implementation of agreements or market access challenges.

Session 2: Digital

Business leaders lauded the EU's work towards the Digital Single Market as a remarkable achievement, but urged that there is more to be done to make the EU the ecosystem of choice for setting up a digital company.

A key challenge identified by industry stakeholders is getting the balance of regulation right. Areas of technology are changing rapidly, value chains and business models are evolving, and these need to be studied and understood to ensure regulation is appropriate and avoid stifling innovation.

The Commissioner provided an update on the implementation of the Digital Market Strategy, in particular actions such as the European Electronic Communications Code, to improve the framework conditions for investments in digital infrastructure such as 5G, and initiatives driving development of standards and certifications. He also set out the state of play regarding the initiative Digitising European Industry. National governments are being encouraged to set up national digital platforms, feeding into a platform of platforms at EU level; and businesses were invited to support these calls.

Businesses welcomed the General Data Protection Regulation as a step in the right direction, but cautioned that there are outstanding data challenges for industry. This include enabling its use for commercial purposes, and facilitating cross-border transfers both within and outside the EU. Businesses called for trade negotiations to increasingly tackle data and associated issues.

Several companies flagged that shortfall in digital skills within the EU is projected to grow, and called on the EU to do more to push core skills such as coding not just in universities but also in schools. There was also discussion on copyright and the need to consider content producers more.

Session 3: Better regulation

Secretary General Italianer highlighted how the Commission's approach to regulation has profoundly shifted in recent years, with a consistent emphasis on doing less things but doing them better. The Better Regulation agenda has achieved a great deal. The Commission has also taken a more collaborative approach with Member States over transposition and implementation.

Business reported perceptions that regulation is increasingly politicised, rather than science- and fact-based. The balance between the precautionary principle and innovation is a challenging one to get right with such a rapid pace of change.

The Secretary-General confirmed that the Commission remains focused on driving forwards competitiveness. The EU remains an export powerhouse and trade deals are progressing. However, increasing inclusion of non-tariff issues mean that trade deals touch more on national competences, and so require greater involvement of Member States.

Businesses called for greater emphasis on industrial competitiveness and were invited to offer greater clarity on what that meant. Businesses were invited to identify barriers to investment and structural reforms which would boost competitiveness, which could be considered for inclusion in the European Semester.

Session 4: Energy

Vice-President Šefčovič identified the Energy Union as a new backbone for the European long-term economic vision. The EU has shown global leadership in this area, and we see a 'levelling up' across the world. EU-based industry is the most energy efficient in the world, offering competitive advantage, and there was broad enthusiasm for the EU to remain at the forefront of the technologies and skills driving this forwards.

The need for continued public pressure on implementing the Paris Agreement was identified, and the EU will look at the details of how this will be achieved in the medium and long term.

The Commissioner highlighted significant potential energy savings through EU measures, for example those targeting buildings, and ecodesign and ecolabelling. These efforts are aligned with broader objectives, for example looking at the role buildings can play in creating a more efficient, smarter infrastructure.

There was agreement that the energy market could be improved, and the European Commission is working on proposals to address this. The EU is looking at initiatives and policy measures to open up energy markets to competition and integrate sustainable backups for intermittent renewables.

Businesses recognise that investment is needed, and call for efforts to facilitate and simplify these investments. The price of energy does not currently reflect realities, and there is insufficient competition on energy within the EU. There were a number of concerns raised about how the ETS would work and what the revenues would be used for, with calls from business for more EU-level alignment.

Business was invited to identify where the obstacle was lack of funds, and where it was a political challenge. In the latter case, businesses wanting to see more EU-level collaboration were invited to make that case at national level, by demonstrating the impact on energy security and price.

Session 5: Wrap-up session

Participants highlighted that the current pressures from the pace of technological innovation, climate change and migration will continue to grow. They urged Europe to play to its strengths, focusing initiatives and resources on strategic advantages and avoiding competing

with emerging economies simply on labour costs. Industry participants urged the EU to focus its energies on: completing the Digital Single Market; encouraging innovation; unlocking use of data as the currency of the future; and leading the drive for social change through digital skills and mobility.

Business representatives identified the underlying and growing challenge as social inequality, particularly between the generations. Europe needs to improve its social inclusion systems to help tackle this.

Businesses called for the European Commission to create a positive, compelling and inclusive vision for Europe to counter populism and keep Europe on the path of jobs, growth, stability and prosperity. This would require national governments to stop demonising the EU, and to articulate what they want to achieve through their membership and participation. The discussion highlighted a need to move beyond the current discourse to elaborate what kind of Europe we want to leave for our children.