

The logo for CEOE, consisting of the letters 'C', 'E', 'O', 'E' in a white, spaced-out, sans-serif font.

CEOE

The background of the entire page is a blue European Union flag with twelve yellow stars arranged in a circle. The flag is shown with a slight wave effect.

**MORE AND BETTER
EUROPE:
OUR COMMON
ENDEAVOR**

**Priorities and business proposals
for the 9th European Legislature**

2019-2024

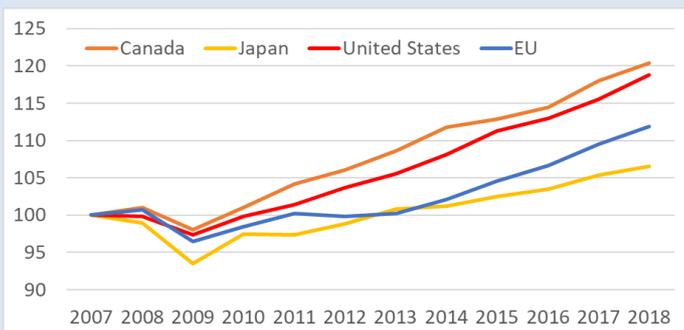


More and better Europe: our common endeavor

Priorities and business proposals for the 9th European Legislature 2019-2024

The 8th European Legislature 2014-2019 is coming to an end. A five-year-term that has been characterized, in its first half, by the **exit from recession**, and by the **recovery consolidation**, in its second half. A consolidation that, for the European Union as a whole, including Spain, has slowed down in its final stage by, firstly, the **persistence of macroeconomic imbalances**; secondly, the **decline in world trade**; and, finally, the **political factor as the main downside risk for the Spanish and European economy**.

EU's economic growth has remained below than in the US since the 2007 crisis



Source: BusinessEurope with IMF data

Political volatility, with incidents such as the forthcoming exit of the United Kingdom from the European Union, has been exacerbated by the rise of populist movements marked by, on the one hand, the diversity of their requests and the rejection of institutional means to convey them and, on the other hand, the defense of an exclusionary nationalism.

The result is an infringement of the European project's essence, which includes democracy and the rule of law as the only option to safeguard values and fundamental rights, through negotiation and opening markets.

CEOE's commitment to the European Union and its values has always been, and will be, unequivocal. The motto "More and better Europe" is more valid than ever.

More Europe because no EU country is able to compete on its own in a globalized world.

Better Europe because there is a wide margin to be more efficient, more decisive and, ultimately, more effective and attractive.

Our common endeavor, because the EU is not only our current framework for action, but also our forward-looking project.

In an environment with increasingly uncertainty, it is essential that the preparation and development of the European Parliament's 9th term are anchored in a close collaboration with the business community. We are facing elections to the European Parliament that could be described as foundational and, therefore, we all, the voters, have the maximum responsibility when it comes to elect representatives who advocate and work for more Europe.

The viability of the European Union's response to the major challenges it faces will depend on the tangible improvement of investment conditions and competitiveness, highlighting the need to accompany sustainability and digitalization with an industrial policy strategy that reinforces the economy on the basis of a better integrated internal market.

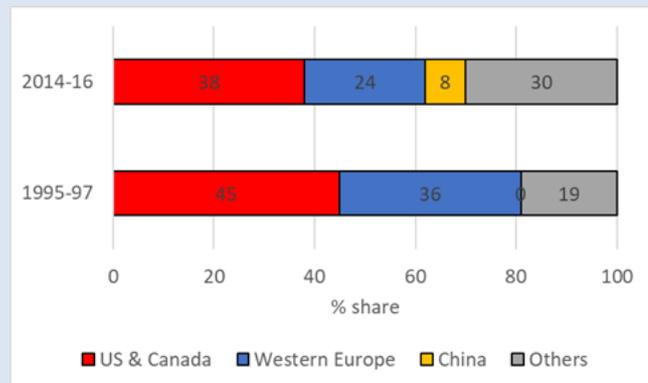
The European Parliament has been the European institution that has gained the most weight (and can earn the most) in the decision-making process of the Union. More power means more responsibility. Consequently, the 751 MEPs who will comprise it, among which 54 will represent Spain ¹, have a huge commitment. With their work they decide on the approach and content of a whole set of rules enforced by 512 million people (46.6 million in Spain) and more than 25 million companies (3 million in Spain) throughout the EU².

Only in 2018 the European Parliament helped to adopt more than 1.900 legal acts³, many of which have a direct impact on business competitiveness; such as the Directive on the promotion of renewable energies, the Regulation on the flow of non-personal data or the new Development Fund for the Defense Industry.

Making informed decisions counting on those who know best the fields most likely to be regulated is as fundamental as the **ability to reach agreements** between pro-European political forces. This will be more necessary than ever in the next European term; like it will continue to be in **Spain**, among other issues, to take advantage of the greater political weight obtained with the departure of the United Kingdom by adopting and implementing a **proactive, coherent and consistent road map for European policy**.

From CEOE we offer all our collaboration so that, on the basis of negotiation and political consensus, the decisions of the European Parliament are aligned with the business interests of Spain and, in turn, reinforce the main driver for sustainable and steady growth: the business community. This is the only way to reverse the downward trend of European positioning in the top positions in the world ranking.

Representation of top 10% of firms by country or region in terms of global profits



Source: BusinessEurope with McKinsey data⁴

Our **business proposals** for the European Parliament's **9th term 2019-2024**, structured around **three objectives: sustainability, digitalization and global competitiveness**, are presented below. Three key objectives whose **backbone** must be the implementation of an **industrial policy and investment strategy** that supports them, with the former referring to a coherent set of measures to boost the economic activity.

¹ If the United Kingdom does not participate in the next European elections, the European Parliament will have 705 seats and Spain will go from 54 to 59 MEPs.

² Eurostat data.

³ EUR-Lex data.

⁴ McKinsey Global Institute, [Superstars: the dynamics of firms, sectors and cities leading the global economy](#). October 2018

1. Sustainability: a balance between the economic, environmental and social pillars

In order to make the EU economy more resilient to face global challenges, it is essential that sustainability is understood as the ability to implement public policies aimed at preserving the environment, including the decarbonization and the development of the circular economy, while fostering investment, growth and employment.

A strategic objective that will only be achieved if the EU, on the one hand, contributes to reinforcing the business fabric to sustain it and, on the other hand, creates a level playing field and has sufficient social acceptance.

1.1. Enhancing investment to promote a more resilient economy

To enhance economic growth and make it more sustainable, it is essential to boost both public and private investment. However, the EU investment rate is still lower than in the US or Japan. In Spain, while there has been an upward trend in business investment, public investment has continued to decline and currently stands at 2.2% of GDP, less than half of the maximum level reached before the great economic-financial crisis.



Source: European Commission

Consequently, it is essential:

- ✓ Making public and private investment a priority objective in a such a way that, among other issues, promote productive public investment in a sustained and sustainable manner in strategic sectors.
- ✓ Providing the next Multiannual Financial Framework of the European Union (2021-2027) with a significant budget allocation, especially for instruments aimed at mobilizing investments, such as the InvestEU Programme and Horizon Europe (R&D+i), as well as the Connecting Europe Facility (transport and telecommunications infrastructures) and the Structural and Investment Funds.
- ✓ Taking into account the specific features of isolated systems among the criteria to foster European investments aimed at achieving environmental objectives, including the penetration of renewable energies.

- ✓ Progressing in removing obstacles to investment in the European Union and its Member States, particularly Spain. It is necessary to limit uncertainty as much as possible and to act to improve the predictability and stability of the European and national regulatory framework.

1.2. Underpinning the economic pillar with a more integrated internal market within a deeper Economic and Monetary Union

The economic strength of the European Union lies in the existence of a Single Market, which remains unfinished, of 512 million consumers from 28 countries and to which more than 60% of Spanish sales are directed. In addition, among these 28 countries, Spain, along with 18 other Member States, shares a monetary union that still requires structural adjustments to also become an economic union.

To deepen the **internal market**, it is necessary to:

- ✓ Increase the transparency of the decision-making process, in particular the interinstitutional negotiations between the European Commission, the Council of the EU and the European Parliament (commonly known as trilogues).
- ✓ Prioritize enhancing the homogeneous implementation of the legislation in force over adopting new regulation, limiting the latter to the strict minimum.
- ✓ Transpose European legislation into national law on time and in a proper manner, providing for reasonable deadlines, especially in the case of delegated acts.
- ✓ Extend the drafting of impact assessments to any new initiative that may have a business impact, especially on SMEs.
- ✓ Avoid gold-plating and overlapping regulations, which only lead to legislative fragmentation and even to the contradiction between rules and to exacerbate risk aversion and, therefore, to limit entrepreneurship and competitiveness.
- ✓ Enhance the integration of the internal market in those areas where it is more needed, avoiding the artificial distinction between online/offline to unleash its full potential and create a solid basis that promotes global competition in the long term.
- ✓ Adapt the regulatory framework to digitalization, which implies introducing more flexibility while respecting technological neutrality.
- ✓ Ensure European Competition Law as the guarantor of legal certainty and predictability of the internal market, adapting it to take into account the defense of the global competitiveness of companies without harming intra-European competition.



For further integration of the **Economic and Monetary Union** (EMU) it is necessary to:

- ✓ Promote and boost the coordination of the structural reforms needed to improve the economic performance, both at European and national level.
- ✓ Simplify the economic policy coordination process, the European Semester, including the regulation related to the coordination of budgetary policies; especially regarding its mandatory compliance, in order to build confidence in compliance and, consequently, credibility. At this point, it is essential to involve social partners.
- ✓ Complete the Banking Union with a common backstop for the Single Resolution Fund as well as with a European Deposit Insurance System.
- ✓ Progress in the design of a stabilizing function that will make Europe's Economic and Monetary Union more resilient to face future crises.
- ✓ Further Integrate capital markets in order to facilitate investment, support funding for long-term projects and reduce the cost of raising capital, among other issues.
- ✓ Make investments in sustainable assets more attractive with a reasonable capital cost and establishing clear criteria for their definition at European level.

1.3. More business to strengthen the European social dimension

The capacity of Public Administrations, including the European one, to carry out a more efficient reallocation of the resources is limited. Furthermore, it is influenced by the coherence and stability of public policies to attract and consolidate private investments, which are able to result in more opportunities to access and remain in the labor market.

In 2017, the employment rate in the Euro Area was 71%, the highest value since 2002, and in Spain 65,5%, which was also the best value of the last fifteen years⁵, but it is still far from the European average. Considering that almost 90% of the European Union employment is created by private companies, in particular by SMEs, every policy aimed at reinforcing the business fabric must be understood as a vital complement of the European employment and social policy.

For the European employment and social policy to represent “more business”, some reforms are needed in the following areas:

- ✓ Optimizing the education and training systems, ensuring stability in the regulatory framework and making them more flexible and in line with the needs of companies, so that the offer adjusts to the demand.

⁵ EU employment rate for persons aged 20 to 64 years. Last available data from Eurostat:
https://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics#Employment_rates_by_sex.2C_age_and_educational_attainment_level

- ✓ Boosting and adapting labour markets to a digital, global and changing environment, promoting innovation and increasing the effectiveness and efficiency of the active employment policies.
- ✓ Facing the population ageing and the sustainability of the social protection systems, fostering the establishment of complementary systems, while increasing the productivity and reducing the tax wedge on labour.
- ✓ Changing the regulatory approach to one focused in improving the implementation of the existing European legislation, in order to create greater legal certainty.
- ✓ Seizing the potential of the European and national social dialogue, while fully respecting the autonomy of social partners in order to, among other issues, make progress in gender equality policies.
- ✓ Fostering the public-private collaboration in the provision of public services and goods of general interest, such as transport, healthcare, education or security, for higher effectiveness and efficiency.
- ✓ Agreeing on a European strategy on migratory flows, based on preventing illegal immigration and integrating better the legal immigrants.

1.4. More industry to face the decarbonisation and circularity of the economy

The European Union has adopted, at a global level, the most demanding legislation regarding climate change. In this regard, the decarbonization is the ultimate objective of the energy and environmental policy, the latter based on a circular economy. The requirements could increase if, in the next legislative term, the European Commission's long-term strategy to reach climate neutrality by 2050 is implemented.

The transition towards a low carbon or even neutral economy will only occur with a clear commitment to technological neutrality and business competitiveness through:

- ✓ The stability of the regulatory framework, prioritizing the achievement of the objectives established for 2030 and, therefore, the homogenous and coordinated implementation of, on the one hand, the energy package, which addresses the electricity market design and the energy governance as well as the increase of the renewable energy and energy efficiency targets. On the other hand, the mobility package regarding the decrease of vehicles and vans emissions.
- ✓ Boosting investment in order to make available the environmental infrastructure needed, as well as the maintenance and the rehabilitation of the housing stock according to energy efficiency and accessibility criteria and the urban regeneration.



- ✓ The balance that must exist between the expected increase of production costs to meet the CO2 emissions reduction targets, and the long-term industrial competitiveness in the different industrial sectors, considering the specificities of each of them.
- ✓ The involvement of the whole society in the emissions reduction, the decontamination and a more rational use of resources through more responsible consumption patterns.
- ✓ The industry engagement in the definition of the technological and R+D+I priorities, addressing the principle of technological neutrality and the best available techniques, not only in terms of decarbonization, but also in what concerns the optimization of the recycling process, in order to obtain and place in the market the secondary raw materials.
- ✓ The promotion of the implementation of strategic projects of common interest for the integration of value chains.
- ✓ The deployment of the infrastructures needed to carry out the energy transition, such as the cross-border interconnections that, together with other complementary measures, reduce the energy cost and the energy dependence of Europe while ensuring its supply.

2. Consolidating a digital single market that can compete at a global level

The digital transformation affects all the economic sectors and, together with the decarbonization, is the second major transition that, due to its cross-cutting nature, is affecting the change of era in which the European Union is embedded.

The digitalization has a huge potential and, if its properly managed, the benefits greatly exceed the challenges. The development of Quantum Computing, Artificial Intelligence, automatization, the Internet of things, the Big Data or the Blockchain technology are generating significant changes, not only in the business, production and consumption models; but also, in the education, learning, social relationships, and, of course, in the world of work.

For the European Union not to fall behind in the digital transformation that is taking place globally, is it essential to:

- ✓ Ensure that every initiative launched by the European Union, has a positive impact in the digitalization of the European economy, starting with the European market integration.
- ✓ Create more business opportunities, bringing the R+D results to the market, promoting innovation, fostering entrepreneurship, creating the right conditions for companies to grow (start-ups) and ensuring fair competition.
- ✓ Introduce the innovation principle in every new legislation, so that the regulatory framework is stable but flexible enough to encourage competitiveness and entrepreneurship.



- ✓ Strengthen and improve the electronic Public Administration to reduce the administrative barriers for businesses and citizens, which will result in time and money savings.
- ✓ Modernize the education and training systems, increasing their capacity to adapt to the new technological developments and focusing more in basic and advanced digital skills. In this sense, involving the business sector is key.
- ✓ Provide confidence to digital technology creators and users, progressing in cybersecurity systems and in data protection, without harming the intra-European flows and flows with countries outside Europe.
- ✓ Maintain a supportive environment for the investment in digital infrastructure, which is the basis to strengthen the connectivity.

3. More European Union competitiveness at a global level

Adopting an industrial policy strategy is key to achieve the sustainable development and digitalization objectives but it is even of greater importance in order to strengthen the economic weight of the European Union at global level; specially in a context of economic slowdown, trade tensions, protectionism trends and the pressure on the multilateral system.

More than two thirds of the European exports come from the industry and more than 36 million jobs are supported by the European Union export sector, almost 16 more than in the period from 2000 to 2017. More specifically, in Spain, one out of ten jobs are supported by the European exports and 65% of them correspond to the service sector⁶. In fact, the added value of an industrial product is becoming more dependent on the percentage of services it provides.

For the European Union to maintain its economic potential and to be a worldwide leader it is necessary to:

- ✓ Have an open trade and investment policy which can safeguard the European interests in the renewed World Trade Organization (WTO).
- ✓ Promote the competitiveness of European enterprises at a global level, through a better financial support of the European institutions to their international activity.
- ✓ Be transparent in trade negotiations and defend the benefits from international trade, while establishing accompanying policies that mitigate the negative impacts.
- ✓ Increase the bilateral trade agreements network, prioritizing Africa, Latin America and Asia.

⁶ Data from the European Commission:

http://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157516.pdf



- ✓ Maintain a stable relationship with the United States by promoting a positive agenda and rebalance the relationships with China, pursuing an equal treatment for European enterprises.
- ✓ Ensure peace and stability on the EU's external borders by strengthening the industrial side of the common security and defence policy so that, among other things, they get reinforced.
- ✓ Integrate the economic diplomacy in the external relations policy, especially with Africa, as it has significant resources, although it is also an origin of illegal immigration which must be jointly managed.
- ✓ Facilitate the private sector participation in the cooperation policy, since the integration of developing and least-developed countries in international trade is a source of endogenous growth and local employment.





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