

Business matters for Europe

Building a competitive future



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Introduction

With the EU facing some of the biggest economic, social, environmental and political challenges of its lifetime, the CBI has developed 'Business matters for Europe' – a five-themed strategy to ensure national and EU policymakers build a competitive future for industry, which enables growth at home and globally.

'Business matters for Europe' was developed by CBI members of all sizes and from all sectors of the economy. It sets out their future expectations at EU level and forms the basis of the CBI's interaction with national and EU policymakers. The priorities identified demonstrate British business' intention to play a positive role in turning the challenges currently facing the EU into opportunities in the next phase of its development.

We look forward to working with you as we take these priorities forward, building a competitive future for businesses in the UK and Europe, for the benefit of all.



“The CBI is strongly committed to constructive engagement with the European Union. On the global stage, the EU’s priorities must include the completion of the Doha Development Agenda and a leadership role in international climate change negotiations. Inside the EU, it should among other things be developing a coherent and liberal European energy policy, and strengthening the Single Market and competition policy against the forces of protectionism. And the UK should be strong in the defence of its national interests, such as its global leadership in financial services and its flexible labour markets.”


Richard Lambert, director-general, CBI

Creating a low-carbon future and securing energy supply

The impact of climate change on the global economy poses a significant challenge to the UK and the EU's long-term prosperity. In the twenty-first century, successful businesses will be those ready and able to adapt to a low-carbon future. British business is committed to playing a central role in driving recovery forward via a 'green revolution' and has already made significant progress in finding and implementing solutions to climate change.

Following its 2007 report *Climate change: everyone's business* and 2009 low-carbon roadmaps *Going the distance*, the CBI has argued that the time for action has come. The ambitious climate change targets adopted at EU and national level present an important opportunity for business to tackle the current economic downturn by creating new growth. While the legislative framework is now largely in place at EU level, further targeted action by EU and UK policymakers is required to enhance competitiveness by helping business make the low-carbon transition.

To secure the significant economic benefits of a green recovery and the environmental rewards of a sustainable future, the UK and EU must take the global lead in securing a comprehensive global climate change agreement, fulfilling the potential of the EU Emissions Trading Scheme, liberalising energy markets and investing in eco-innovation, energy efficiency and new infrastructure. Together, government, business and consumers can make the move to a low-carbon future and secure Europe's energy supply.



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Priorities for action

The EU should pursue an ambitious international climate change deal which enhances competitiveness and unlocks the potential of a low-carbon future.

Achieving a comprehensive post-Kyoto protocol agreement is essential, but will require business leadership and inter-governmental cooperation – in particular between the EU and US – so that emerging economies such as India and China follow. If well designed, the deal will help the move to a low-carbon economy and ensure the long-term competitiveness of UK and EU business.

The European Commission and member states must ensure swift implementation of the third phase of ETS. The EU's carbon 'cap and trade' scheme is the bedrock of the UK and EU's low-carbon strategy. Ensuring a robust carbon price and an ambitious path for reducing emissions from power generation and energy-intensive industry, while supporting business competitiveness, is a key driver of the move to a low-carbon economy.

All actors, public and private, should begin to unlock the potential of energy efficiency to make carbon savings. Against the backdrop of the financial crisis, energy efficiency is one of the most cost-effective tools to decarbonise energy supply. While companies, households and consumers are increasingly focused on the opportunities to cut carbon and save money, national and EU policy should drive behavioural change and reward low energy use.

Government and private sector collaboration is required for the development and delivery of low-carbon technology, products and services. Businesses are willing investors and innovators, but targeted government funding, R&D programmes and procurement will further stimulate the design and employment of new technology. A partnership is also central to empower and encourage consumers to choose greener products and services.

Policymakers must secure the EU's energy supply by liberalising markets and expanding infrastructure. Although a fully liberalised energy market will improve the EU's resilience to external shocks, the choice of energy mix to meet carbon targets should remain with member states. Investment in nuclear, clean coal and carbon capture and storage, renewables, gas storage and pipelines will maximise business opportunity and ensure secure energy supply.

Improvement of the EU's transport network by public and private actors is necessary to meet changing environmental and business needs. As the UK moves towards a low-carbon economy, a high-quality transport system is essential to Europe's competitiveness and growth. New ways of innovating and investing must be developed to reduce pollution, cut carbon intensity and increase capacity and reliability across all transport modes.



Renewing the commitment to open markets and free trade

One of the founding principles of the EU is the commitment to open markets and free trade. The many opportunities the EU has provided as a trading bloc are integral to business interest in Europe. If the EU is to meet the challenges and opportunities presented by the rapid globalisation of the late twentieth and early twenty-first centuries, it must be outward-looking and embrace other global economies – it must not put up the barricades and shut the doors. An open Europe, internally and externally, is a successful Europe, and this must be recognised as the European economy returns to growth.

The CBI believes the EU can lead by example by restating its commitment to unfettered and undistorted trade. It should break down barriers to a free and fair multilateral trading system and develop open relationships with other major global economies to foster economic cooperation and trade. Openness is central to stimulating market dynamism and productivity and is vital to meet the challenge posed by both the traditional and emerging economic powers.

For UK business, competition must remain a core tenet of the EU's activities and a pro-active competition policy must underpin the Single Market project. Business thrives on competition and there is no place for protectionism in Europe. Companies in the UK have long been the standard bearers for competition in Europe and beyond and are willing to continue to embrace open markets and free trade alongside European policymakers.

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Priorities for action

The EU should continue to reinforce multilateral trade relations, particularly through the World Trade Organisation.

As the world's largest trading bloc, multilateral frameworks are crucial for UK and European trade and investment and it is vital that an agreement be reached to conclude the Doha round. Opportunities should also be explored at the WTO to reinforce the stability of the global trading system and ensure compliance with the rules: business will collaborate with EU policymakers to achieve these goals.

Bilateral trade relationships must be strengthened by the EU with key trading partners, including the US, Russia, China, India, Brazil and Japan. The EU should continue its pursuit of increasing effective market access with major third countries. Business can help develop the best mechanisms for this. Effective bilateral relations must also be pursued in policy areas such as energy and climate change – not least with Russia on the issue of energy security.

The EU must re-state its commitment to the freedoms of movement within Europe enshrined in the treaties.

In the context of the economic downturn, policymakers must not bow to those who seek to establish a fortress, investing only within Europe's boundaries and preventing investment from elsewhere. UK business firmly believes that it is only through the free flow of goods, services, capital, labour and knowledge that Europe can meet the challenges and opportunities of globalisation.

A proactive competition policy is the cornerstone of the Single Market and must lie at the heart of the EU's activities.

Competition drives down prices, increases choice and quality for consumers and provides trade benefits for business. A robust EU policy should start with effective implementation of competition rules, sector inquiries and liberalisation.

The tools of competition policy must be utilised effectively, not as a sticking plaster for national wounds.

State Aid is the key tool in the EU's competition armoury and must be used to foster economic growth and competition. It must not be used to prop up ailing industries. The EU must stand firm where the spirit of competition is undermined and take action when rules are flouted.

Repairing the financial system to restore economic confidence

The EU enters the next phase of its development following one of the worst economic downturns in its fifty-year history. The global credit crunch and financial crisis have raised fundamental questions about future management of the European economy. While lessons must be drawn, there is a risk that actions taken by policymakers at EU and national level in the ensuing period will be defined by recent experience. But the fundamentals of the European economy remain sound, and the CBI is convinced they should continue to underpin future EU activity.

Steps must be taken to re-build confidence in the financial markets – for businesses and consumers – and to re-establish a strong European economic model, which can compete on the global stage. Policy measures to get credit flowing, improve financial education and develop appropriate tax regimes, for example, must support not hinder business, enabling industry to reassert its position at the heart of the EU. Similarly, the commitment to the Single Market must be reaffirmed, as the free flow of goods, services, capital, labour and knowledge within Europe is vital in returning the economy to growth.

UK industry advocates actions which are proportionate, considered and evidence-based, with their impact fully assessed. Where there is scope, coordinated action at an international and EU level must be considered, but it must also be recognised when such action is best left to member states. Decision-makers must also resist over-regulation, as in some areas the market will correct itself and businesses can provide the most appropriate solutions. Each of these roles must be valued, for the UK and EU economies to emerge stronger and grow.

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Priorities for action

Organisations, public and private, must strive to restore confidence and stability to Europe's financial markets. Europe faces key challenges as a result of the crisis, including the need for a robust approach to ratings agencies, a counter-cyclical approach to capital requirements, and reforms to supervision and remuneration.

EU policymakers should ground any regulatory response to the financial crisis on evidence-based analysis. Given the close interaction between the financial services industry and the real economy, over-regulation of the sector will hinder recovery of the wider economy. Any proposed legislation should be proportionate, targeted, well-implemented and developed in cooperation with industry to be business-friendly.

EU and national policymakers must introduce measures to facilitate companies' access to finance. The scarcity of credit has proved a straitjacket and has severely impacted investment, output and jobs – particularly for small businesses. The implementation of wide-ranging measures to expand and maintain financing channels will let businesses take crucial investment decisions helping to get the economy working again.

The EU institutions and member states must pursue a coordinated approach to economic recovery. To avoid a fragmented regulatory structure and an increase in protectionism, policymakers must engage with business to determine the most appropriate level for action – member state, EU or international. Measures to support industry should be delivered and unwound in a timely and considered manner, with due regard for competition across the financial services sector.

The EU must work with business to develop appropriate and effective regulation for private equity. The sector makes a dynamic contribution to the European economy – economically and socially – and will play an important role in returning Europe to growth. The UK Walker Review demonstrates the industry's willingness to adapt to new regulatory demands and engage constructively with policymakers to establish the best way of operating in the future. The sector remains committed to appropriate and measured regulation at the EU level and will continue to work on issues such as the proposed Directive on Alternative Investment Fund Managers to reflect the interests and requirements of their core stakeholders.

EU and national policymakers should explore how tax regimes could help restructuring and growth. Companies need a tax system which is simple – to minimise costs – and certain – to enable long-term decisions. Innovative fiscal incentives which support energy efficiency and investment in low-carbon technologies through reduced VAT for example, can help reshape the economy.

Policymakers must overcome tax barriers, which hinder cross-border trade, investment and employment. Tax regimes, must be truly competitive to allow companies to optimise extra and intra-EU business and investment. Global competitiveness, not introspection, must be the driver.



Retaining competitiveness through labour market flexibility

As the EU emerges from the economic crisis and seeks to re-establish itself on the global stage, recognition must be given to the role flexible labour markets play in Europe's international competitiveness. European companies trade globally and regulation – particularly social legislation – which places restrictions on them affects their ability to compete and create jobs. Labour market flexibility is a key determinant of a competitive economy, helping to create growth and attract investment, and any activity in the social arena must reflect this. Social and labour market models in the EU are far from homogenous and their diversity must be recognised. EU policymakers must respect variations in national law, culture and practice, and ensure all activities are in accordance with the principle of subsidiarity.

According to CBI/MORI research in 2003, labour market flexibility is the single most important factor in determining where globally mobile companies locate, with 90% of business leaders believing it to be influential. It is critical in letting firms and employees organise work patterns in a way that meets their needs. It is particularly important for business because it allows employers to manage resources efficiently, improving productivity, adapting to changing market conditions and fluctuating demand, and contributing to the economic recovery with new jobs.

Labour market flexibility has never been as relevant as in today's economic circumstances. The crisis has presented real challenges for the EU, member states and business, which they must work together to solve. British business will engage positively with national and European policymakers in finding non-legislative solutions, supporting the creation of jobs and in devising and implementing initiatives to take forward the skills agenda at the EU level.

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Priorities for action

The EU must restate its commitment to the free movement of labour within Europe as a key plank of the Single Market. This has been one of the greatest successes of the Single Market, and it is crucial that it is maintained and that protectionist forces do not win out. Business will collaborate with policymakers to maintain the free movement of labour and ensure solutions strengthen this commitment, rather than weaken its goals.

All policymakers must balance flexibility and security for employers and employees. This can be achieved through existing legislation and by equipping people with the skills to adapt to change. This is one of the best ways of countering protectionism and promoting the free movement of labour and knowledge as well as integrating employees into an evolving labour market post-downturn.

There should be a moratorium on all future EU social legislation. The EU must resist pressure for further social reforms, as current legislation shows that adequate protection already exists – particularly in the area of information and consultation.

Organisations, public and private, must deal with up-skilling and unemployment together. The EU is faced with increased unemployment as a result of the crisis. While recognising the respective roles of the EU and member states, collaboration can get people back to work and retrain others to help find different jobs. UK business has a good record in this area and many current non-legislative measures can be useful tools at the EU level, with an emphasis on increasing the depth and breadth of skills.

Business and policymakers should act collectively to meet future demographic change. Europe faces an ageing workforce, reduced numbers of new workers, greater numbers of older people and the implications of change for pension provision. Rather than introducing European standards for pensions, national standards should remain the norm, and business will work with member states to ensure the effectiveness of national pension systems.

Policymakers and employees should collaborate with business to devise alternatives to legislation on diversity and equality. Regulation in this area must be allowed to bed down, and existing initiatives and measures should be reviewed, rather than continuing to introduce burdensome and ineffective legislation.

National governments should work towards sympathetic transposition and implementation of EU regulations. A substantive amount of EU legislation and regulation has been introduced in recent years and member states are working towards transposition and implementation. Directives such as those on Temporary Agency Work and European Works Councils must be sympathetically transposed and implemented. The CBI will continue to embark on a constructive dialogue with UK policymakers to this end.

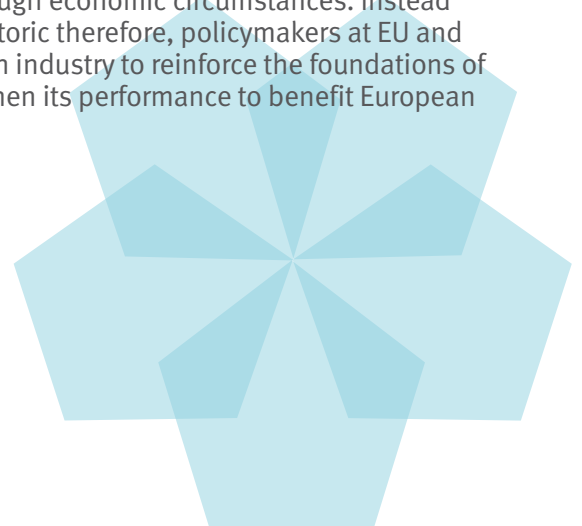
Fulfilling the potential of the European Single Market

The Single Market is one of the EU's greatest achievements and underpins Europe's economic success. It has enabled businesses to operate in non-domestic markets, providing goods and services to almost 500 million citizens and allows European citizens to live, study and work anywhere in the EU. The Single Market is the world's largest trading bloc and gives Europe its global strength.

UK industry is a strong supporter of the Single Market and the opportunities it presents to companies and individuals alike, despite it still being far from complete some sixteen years after its inception. Too many barriers – not least the implementation of Single Market rules at member state level – prevent its true fulfilment. In addition, the economic crisis has highlighted the vulnerability of the Single Market to economic protectionism, with national interests being promoted over the Single Market's potential for innovation, technological developments, job creation and social inclusion.

The CBI remains fully committed to the pursuit of the Single Market – to open, free and undistorted cross-border trade and the five freedoms it now comprises; goods, services, capital, labour and knowledge. Undermining these principles and freedoms will only serve to worsen the already tough economic circumstances. Instead of employing protectionist rhetoric therefore, policymakers at EU and national level should work with industry to reinforce the foundations of the Single Market and strengthen its performance to benefit European consumers and business.

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Priorities for action

Supported by member states and industry, the EU must continue its programme of liberalisation. Particular attention should be paid to the network industries – telecommunications, energy and transport. Opening up these markets to competition in an effective and efficient manner will result in consumers benefiting from greater choice and lower prices, as well as improving industrial performance.

The EU institutions must renew their commitment to developing a better regulatory environment for businesses.

Although significant progress has been made, further reduction in administrative burdens, coupled with simplification and improvement of impact assessments is necessary to drive the Better Regulation Agenda forward. The need for high quality regulation is greater than ever as companies try to remain competitive through the economic downturn.

Overseen by the European Commission, member states must correct the current shortcomings of the Single Market. The current patchwork of implementation and enforcement of Single Market legislation preserves national barriers to its completion. Enforcement of the basic principles and regulation is paramount: the Commission must also fulfil its watchdog role, to improve business and public perceptions and ensure the Single Market is well-functioning. The potential of the Services Directive, for example, and its intended benefits will only be realised through effective implementation and proper enforcement at member state level.

The EU must work with member states to achieve an effective balance between the interests of consumers and business.

A simplified and modernised regulatory framework governing consumer policy is required to balance rights and responsibilities, coupled with effective consumer education. Policies must be principles-based and evidence-led and dialogue must be maintained between policymakers, consumers and business, aimed at sharing good practice and future-proofing initiatives in this area.

Politicians should implement policies to promote entrepreneurship and encourage SMEs to grow. Accounting for more than 99% of European companies, SMEs are central to the EU's competitiveness. Delivery of targeted and proportionate measures to facilitate SMEs' access to finance, enhance market access and create a more SME-friendly environment will boost growth and jobs. Regulation must not stifle enterprise and business development.

The EU must support the production and protection of high quality intellectual property. While continued effort is required to reform Europe's patent system, a positive policy agenda is key to assist knowledge-intensive businesses develop their IP – a key driver of economic revival and competitiveness.

Policymakers should develop a clear road map to create a fully functioning EU knowledge economy. A world-class digital and communications infrastructure is essential to the UK and Europe's recovery and future economic success. Extending the reach of broadband and incentivising investment in next generation access is the correct approach, but a dialogue with providers and business users and proper liberalisation are central to achieving the Digital Europe vision.

Leadership is required from national and EU decision-makers to develop a thriving innovation ecosystem. Innovation is fundamental to business success, prosperity, environmental sustainability and social welfare. To flourish, high levels of ambition from policymakers for procurement, skills, the science base, ICT, business-university relations, as well as pro R&D tax schemes and EU funding programmes are required to help companies profit from the opportunities of economic transformation.

EU leaders and national governments must manage public procurement more strategically and improve public service innovation. Making the awarding of public contracts more transparent, equitable and simple is integral to encouraging eco-innovation and assisting SMEs in providing more public goods and services. Public-Private Partnerships and Private Finance Initiatives can also play an important role in the delivery of public policy goals.

Priorities for action

Creating a low-carbon future and securing energy supply

The EU should pursue an ambitious international climate change deal which enhances competitiveness and unlocks the potential of a low-carbon future

The European Commission and member states must ensure swift implementation of the third phase of ETS

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Government and private sector collaboration is required for the development and delivery of low-carbon technology, products and services

Policymakers must secure the EU's energy supply by liberalising markets and expanding infrastructure

Improvement of the EU's transport network by public and private actors is necessary to meet changing environmental and business needs

Renewing the commitment to open markets and free trade

The EU should continue to reinforce multilateral trade relations, particularly through the World Trade Organisation

Bilateral trade relationships must be strengthened by the EU with key trading partners, including the US, Russia, China, India, Brazil and Japan

The EU must re-state its commitment to the freedoms of movement in the EU enshrined in the treaties

A proactive competition policy is the cornerstone of the Single Market and must lie at the heart of the EU's activities

The tools of competition policy must be utilised effectively, not as a sticking plaster for national wounds

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CBI

The CBI's mission is to help create and sustain the conditions in which businesses in the UK can compete and prosper for the benefit of all. We are the UK's leading business organisation and campaign for a competitive policy landscape for companies in the UK, the EU and on the wider international stage.

The CBI's strength lies in its breadth of membership, representing over 240,000 companies of every size and from every sector. With offices across the UK as well as in Brussels, Washington and Beijing, the CBI provides members with representation around the world.

www.cbi.org.uk

Brussels