



European Commission
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Consultation on the Future EU 2020 Strategy

The Confederation of Finnish Industries EK (hereinafter EK) welcomes the Commission's consultation on the future EU 2020 Strategy. Europe must agree on an ambitious EU growth strategy and implement far-reaching reforms in order to sustain growth, support job creation and restore the viability of public finance.

EK refers to **BUSINESSEEUROPE**'s response to the Commission's consultation and its report "Putting Europe Back on the Track" where **BUSINESSEEUROPE** presents its proposals on ways of achieving this object. In addition to this, EK would first like to provide some general comments on the EU 2020 Strategy and then suggest more concrete proposals that should be taken into account when implementing the Strategy.

1. General Comments

EK believes that the new EU 2020 Strategy should be a top priority for the future Commission as it will shape the EU's policy for years to come.

The EU 2020 Strategy must put a stronger emphasis on increasing the EU's competitiveness on a global scale. The Commission's working document is too focused on internal challenges. The main challenge facing Europe in the coming decade is the ability to adapt to changing global challenges and ever increasing global competition.

EK welcomes the Commission's willingness to upgrade education, research, innovation and creativity as well as the "digital economy". We are also pleased that the Commission acknowledges the significant role that can be played by the flexicurity approach in promoting job creation and employment in Europe. Also the Commission's aim to enhance the competitiveness of the European economy by an integrated industrial policy is the right one. It is also important to recognize the growth potential of environmental and climate technology. However, at the same time it needs to be guaranteed that all sectors are producing in a sustainable manner and that all innovative products are treated equally. One should avoid the division of industry into "green" and "non-green industries".

Regrettably, the Commission's working paper does not include major new initiatives, especially in terms of economic integration, and it also lacks more detailed and concrete proposals. The EU 2020 Strategy should clearly include a new approach and a focused vision for the next steps of the EU followed by a consistent roadmap. With a clear political vision the EU can set out the appropriate concrete actions needed at the right level. However, at the same time it is important to avoid making it a shopping list of different policy proposals.

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EK also regrets that the Commission's working paper does not take into account sufficiently the "think small first principle". SMEs will play a vital role when Europe is exiting the crisis. The key to strengthen SMEs is to create viable framework conditions for proficient, innovative and internationally successfully companies. The European policy needs to be tailored to the competitiveness of companies and the consequences of legislation for SMEs needs to be taken into account.

The Commission's working paper does not put adequate emphasis on the importance of the EU's competitiveness on the global scale, even though there is a strong need for the EU to become a stronger global player. The external dimension of the EU 2020 should be an important theme and it should be given more weight in the new Strategy. The working paper also fails to reflect the Commission's own responsibility for not imposing unnecessary new burdens on companies.

EK suggests that the EU 2020 Strategy is based on the following five principles.

1. Competitiveness

Enhancing Europe's competitiveness should be the heart of the EU 2020 Strategy. In order to guarantee the EU's position in the global competition, it is necessary to enhance Europe's competitiveness and growth. To reach this aim a better and more competitive business environment needs to be created both at the EU and national level. The EU must also set out a long-term vision to achieve sustainable growth and job creation. This is the only way to preserve welfare. As the challenges we are facing are more pressing than ever, policy making should also be coherent across all policy sectors.

The external dimension of the EU needs to be enhanced and Europe must fight against all forms of protectionism. The EU needs also more unified external action on the international scene in order to shape globalization and the global economic agenda. Promoting free trade and securing a level playing field in issues such as climate change are vital to EU competitiveness.

2. Greening the Economy

Creating opportunities for European business in a green economy is an important priority. However, despite the vast possibilities of new green business it should not be the sole focus of the EU policy. All sources of growth should be equally pursued.

The priority in greening the economy should be to ensure that European companies have a favorable investment and operating environment in relation to outside competitors. Green business requires the same conditions as any other business activity, including the availability of factors of production, favorable taxation policies and an innovative operating environment. The EU should avoid distorting competition with state aid and focus on creating a more favorable business environment.



3. Internal Market and Economic Integration

Building the Internal Market is and should remain a top priority of the EU. The EU 2020 Strategy should make the completion of the internal market a central theme as well as envisage the next steps in deepening the EU's economic integration.

The functioning of Europe's financial markets should not be seen as a passing issue in today's economic turmoil, but rather the EU should seek to create well-functioning financial markets that can deliver in 2020 and beyond. Therefore, ensuring companies' access to finance should be an integral part of the EU 2020 Strategy. The EU must also continue to improve on better regulation and create a truly unified digital single market.

4. Integrated Industrial Policy

There is a need for a fresh approach to industrial policy and focus should be on an integrated EU industrial policy to promote competition and develop new sources for sustainable growth.

A growth-friendly industrial policy does not consist of the state as such becoming actively involved in business or in subsidising uncompetitive sectors. Rather, in order to ensure a competitive industrial basis we need an attractive, stable and predictable business environment promoting excellence, innovation and stability. Industrial policy should always take into account the needs of SME's.

The suggestions presented in the May 2009 Competitiveness Council's Conclusions should be taken into account when reviewing EU's industrial policy.

5. Governance of the Strategy

The EU needs new and more efficient means of achieving the goals laid down in the EU 2020 Strategy. The Strategy should focus on a few clear priorities only. Member State ownership of the Strategy is also essential and the EU must have additional tools to ensure implementation and give adequate feedback (naming and shaming). At the same time, action at the EU level must be strengthened. The EU must avoid creating more bureaucracy and strictly abide by the principles of better regulation.

2. More detailed comments

Below are EK's suggestions for more detailed comments that should be taken into consideration when implementing the EU 2020 Strategy.

2.1. Access to Finance and Financial Markets

Although the recession may be drawing to a close, Europe is still facing great challenges. Companies need access to affordable financing to start investing again. In ad-



dition, the poor state of public finances and rising public debt is putting pressure on long-term interest rates, with the effect of crowding out private investment.

Stabilising financial markets, returning to sound public finances, speeding up structural reforms and keeping markets open is indispensable if Europe wants to have a sustained economic recovery.

Nevertheless, the Commission's working paper does not take into account companies' access to finance or financial markets in more detail. EK believes that well-functioning financial markets should be set out as a goal in the EU 2020 Strategy. A clear strategy is also needed closing the regulatory reforms due to the financial crisis as currently it is almost impossible to evaluate the overall effects of different initiatives. There is a real risk of over-regulation of the financial sector in the aftermath of the crisis. This can lead to more difficult access to finance and also increase the cost of finance which could be detrimental especially to SMEs. This could also seriously slow down the recovery of the economy, harm growth and also increase the administrative burden of companies and create inflexibility in the system.

As regards the availability of finance for SMEs, the aim should be to encourage effective risk capital by attracting more private investments into market segments that are currently only lightly covered. It is also important to act swiftly to facilitate cross – border investments in the private equity market utilizing market-driven tools and incentives.

2.2. Completion of the Internal Market

Building the internal market is and should remain one of the key priorities of the EU. Opening up markets and promoting competition will continue to be the basis for the EU's competitiveness. The EU 2020 Strategy should make the completion of the internal market, including digital single market, a central theme as well as envisage the next steps in deepening the EU's economic integration.

The focus must be on making the market function more efficiently and the economic integration should be deepened. The last obstacles of the internal market should be abolished and Member States should fully implement and enforce internal market rules without national "gold-plating". The Commission's intention to explore ways to remove the remaining obstacles in the internal market is welcome.

In order to improve the efficiency of the internal market, the better regulation programme needs to be properly implemented. There is a need for a fast-track procedure if the EU wants to reach the target of reducing administrative burden with 25 % by 2012. The 25 % reduction should be a net target. New rules must go through systematic impact assessment so that new legislation does not increase the administrative burden of businesses.



The EU needs to complete the digital single market in order to emerge from the current recession more productive, competitive and knowledge driven than before. This would complement the freedom of movement within the EU enjoyed by its citizens, benefit consumers by offering a larger and more competitive market, create new jobs and allow successful European companies to emerge in the field of e-commerce and online service provision and to compete globally.

The digital single market would also make it easier for Europe's businesses to become more productive in the global competition. It would assist Europe's transition to a smart, green economy as firms and consumers take advantage of inter-connecting infrastructure and technological solutions that can help to reduce the carbon intensity of the economy. It would also provide a more attractive framework for innovation and creativity by providing the scale necessary for risk-funding (e.g. venture capital) across a wide range of projects.

2.3. Promoting education, employment and job creation

Job creation, increasing productivity and the availability of skilled labour should be one of the key elements of the EU 2020 Strategy as it is essential for Europe's competitiveness and well-being. Europe needs a solid strategy to boost employment and skill levels in the ageing society. Member States should continue the structural reforms on the basis of the flexicurity principles in order to guarantee competitiveness of European companies and creation of new jobs. This would also suppress long term unemployment and attract more people to the labour market. Achieving this requires flexible work arrangements (e.g. various types of employment contracts, flexible working time), productivity, employment-friendly social protection systems, activation measures and lifelong learning.

Both the EU and the Member States need to invest in education and training in order to increase participation in the labour market and eliminate exclusion. The Commission's working document rightly points out the importance of the skills. However, it is to some extent too limited in its approach. It fails to recognize the effects of longer working careers and the meaning of vocational training and adult learning. The vocational training and life long learning are important factors when enhancing the competitiveness of Europe and should be taken into consideration when drafting the EU 2020 Strategy.

The Commission's working document focuses on university education. The EU should have the best education systems and research institutions in the world. At the same time one should not forget the importance of vocational training and other training programs. Also the vocational education and training exchange programs, such as Leonardo, merit to be mentioned. They support mobility of students, teachers and social partners.

In order to face the challenges raised by an ageing population and to combat current and future skills shortages, the common goal should be to make Europe more attractive for skilled workers from non-European countries.



2.4. Innovation and research policy, efficient IPR protection

Innovation also plays a key role in addressing major societal challenges and improving Europe's competitiveness. Innovation is one of the key elements if Europe wants to meet the challenges created by climate change, an ageing population and energy security.

Innovation policy should be one of the key elements of the EU 2020 Strategy and strategic EU level objectives should be set. These objectives should cover all aspects of innovation, including broader forms of innovation or the entrepreneurship perspective. Achieving these objectives requires better utilization of investments in knowledge, the broadening of innovation policy and more effective governance of policies affecting innovation.

The boundaries between various innovation policy areas (e.g. research, enterprise, internal market, information society, competition, energy and environmental policies) are still high in the EU institutions. There are no special coordination procedures for innovations. Partly due to this, the EU has a very high number of funding and other programs, which leads to a fragmented system for its customers. This hampers cooperation and the setting of common objectives. It also makes the division of duties between the EU and Member States more difficult. There is a clear need to develop the division of innovation funding between the EU and the Member States. The EU funding should have a clear focus on innovation activities that generate added value at the EU level, based on quality and relevance.

There is also a need to link innovation, SME and entrepreneurship policies more closely at the EU and national level. The current SME policy lacks ambition as regards growth and innovation among new firms and SMEs. The focus should be more on formulating demand and customer-driven and more broad-based innovation and entrepreneurship policies. For example, the lead market initiative should be prioritized and activated. The EU should also further boost programs and activities which enable and encourage SMEs to participate in clusters comprising of larger corporations, public and private research, training institutes etc. Especially for SMEs the improvement of overall innovation climate is essential.

In order to enhance innovation efforts of SMEs and to enable them to commercialize their inventions, SMEs need cost-efficient IPR protection. This requires enhancing the European patent system. The EU should also adopt a comprehensive intellectual property strategy that would lay down the foundations of the EU in this field for the coming years (2010-2015). The IP-Strategy should cover both intellectual and copyright issues. Intellectual property rights and their use should be seen as an essential tool for maintaining and improving competitiveness of European economy and seen as an essential part of the EU 2020 Strategy.



2.5. Creating a competitive, connected and greener economy

EK welcomes the general approach of the Commission's working paper on creating a greener economy. However, EK would like to stress that greening the economy cannot be the only route to future growth, even though the potential for the business and society in general are indeed promising.

As is stated in the Commission's working paper, greening the economy involves both creating new businesses and developing existing ones. This is an important consideration, as it is impossible to separate between "green" and "non-green" sectors. Rather all sectors have an important role to play in greening the economy. It is also important to bear in mind that replacing old practices will take some time.

If the EU wants to lead in the fight against climate change, it should put a much greater emphasis on technology and the appropriate policies to address obstacles to innovation, skills shortages, lack of venture capital, and under-development of entrepreneurship. This should be one of the targets of the EU 2020 Strategy.

For European companies to best respond to the challenges brought on by the greener economy, focus should be shifted from regulation to improving the innovative environment in a way that supports the development and commercialization of low-carbon and energy and material efficient products, processes and services. This is important particularly with respect to funding directed towards development, technology and innovation. The EU must above all ensure that European enterprises have a favorable investment and operating conditions compared to competitors. This applies to all the necessary business conditions in general, including the availability of factors of production, favorable taxation policies and an innovative operating environment. In other words, 'green' business requires the same preconditions as any other business activity. Industrial policy should also encourage green business horizontally, rather than return to an outdated sector-specific support policy.

Information and communication technologies are an important means of greening the economy because they can be used to improve the efficiency and in some case replace the use of natural resources. Examples of this are the so-called intelligent transport systems and smart grids, as well as process automation and the digitalization of services.

It is important to integrate the goals of greening the economy as part of energy and transport policies at large. However, they should not cloud the primary goals of these policy areas, i.e. the security of supply of energy and logistics and cost-competitiveness.

For a successful transition to a greener economy, it is especially important to ensure that companies in the EU are not subjected to a heavier cost burden than their competitors elsewhere. For this reason, obligations and steering instruments that are more stringent than those of others should be avoided. The impact assessment of differ-



ent policy instruments should also be improved so that their cumulative costs can be better assessed.

The EU should also play an active role in international politics, particularly with respect to the creation of balanced global standards and rules. This would create a level playing-field for companies and open up global markets for green technology, products and know-how. Moving ahead in the internal market in a unilateral way is not the right way forward as it would weaken the competitiveness of companies.

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The Confederation of Finnish Industries EK is the leading business organisation in Finland. It represents the entire private sector, both industry and services, and companies of all sizes. EK's member companies represent more than 70 percent of Finland's gross domestic product and over 95 percent of exports from Finland. EK has 35 different branch federations with a membership of 16.000 companies in all, which employ about 950 000 employees.