



# **Global Europe: how to preserve competitiveness in a globalised economy**

**Recommendations for actions to be taken on the European level**

**Austrian Federal Economic Chamber**

**2015**

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## IMPRESSUM

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The Austrian Federal Economic Chamber (WKÖ) is the legal representative of around 450.000 Austrian enterprises covering all industries, and it is a social partner on behalf of the employers and is registered with the number 10405322962-08 in the Transparency Register of the European Parliament and the European Commission.

Due to the consequences of the economic and financial crisis the European Union has to meet huge challenges. This statement reflects the position of the Austrian Federal Economic Chamber and the demands on Parliament and the Commission.

## **1. WKO as a strong partner for achieving the EU2020-goals in Austria**

As a strong partner for achieving the EU2020-goals in Austria, WKO supports the following objectives

- ▶ To speed-up necessary reforms and close the implementation gap.
- ▶ To ensure continuity in the EU2020 goals and the integrated guidelines.
- ▶ To introduce measures for a more effective governance and surveillance of the implementation in the Member States.
- ▶ To enhance ex-ante coordination of economic policy measures of Member States with influence on the European economy. WKO also supports individual contractual arrangements between Member States and the EU under the condition that the “moral hazard” problem could be avoided.
- ▶ Consultation of the social partner organisations incl. chambers of commerce at European and National level in all stages of the European Semester, especially the preparation of the Annual Growth Survey, the country reports, the integrated guidelines and the country specific recommendations.
- ▶ Recognition of the important role and the contribution of public-law chambers to structural reforms (e.g. their crucial role in Germany and Austria regarding the internationalisation of the economy and the dual-training and education system which ensures growth and high employment rates).

## **2. Stabilizing and deepening of the Economic and Monetary Union (EMU).**

- ▶ We support a deeper integration of the Economic and Monetary Union: by a stricter fiscal governance, effective mechanisms to reduce macro-economic imbalances, a better ex-ante coordination of economic reforms as well as tighter control and more effective implementation.
- ▶ Financial support should only be granted under the condition of reforms and fiscal discipline.
- ▶ The European Parliament as well as the national parliaments, the social partners and Chambers of Commerce should be better involved in the economic governance process.
- ▶ The macro-economic dialogue of the social partners at EU-level should be strengthened and a macro-economic dialogue for the Euro-area should be established to discuss the development of productivity, wages, employment and macro-economic imbalances in the EMU.
- ▶ In the course of a future revision of the EU-Treaties, the guidelines of the new economic governance framework should be incorporated comprehensively in the Treaties.
- ▶ We support the introduction of an effective supervisory mechanism which must meet the following conditions: in order not to create barriers to the single market, as many Member States as possible, also from outside the Euro-area, should participate in this mechanism; no parallel structures and a clear division of competencies between the European Central Bank, the European Banking Authority and the national supervision authorities, as well as legal protection for supervised banks are essential elements.

### 3. Strengthening the role of Social Partners and Chambers of Commerce at EU-level

- ▶ The Austrian system of Social Partnership has proved successful to ensure macro-economic stability and economic success. It can be considered a best-practice in particular in the areas of vocational education and training, youth employment and internationalisation. It could serve as a model to strengthen the social partner structures in the Member States and to better involve the Social Partners and Chambers of Commerce at EU-level in order to ensure effective formulation and implementation reforms in the Member States and better coordination of the policies at EU-level.
- ▶ The Social Partners and Chambers of Commerce should be consulted and involved in all stages of the European Semester as well as in the ongoing process of deepening the EMU and enhancing the economic governance. A macro-economic dialogue with the Social Partners should be established for the Euro-area to better coordinate national economic policies at Euro-area level. At the same time, the full autonomy of the Social Partners in wage negotiations must be guaranteed.
- ▶ The permanent involvement of all European Social Partner organisations and representative horizontal European associations in the Tripartite Social Summit needs to be ensured. Chambers of Commerce are crucial stakeholders on the business organization's side in the areas of vocational training and youth employment, business creation and internationalisation.

### 4. The Single Market is a key driving force behind economic growth

The Austrian Federal Economic Chamber appreciates all efforts to establish smart regulation on European level to create a business friendly regulatory environment.

- ▶ Priority should be given to the full implementation of the four basic freedoms for the entrepreneurs rather than the adoption of a new legal instrument.
- ▶ Speed up infringement procedures: Infringement procedures are complicated and lengthy, they last many years. This is not practical for our members who have a concrete problem in the internal market. Therefore, the procedure should be sped up and SOLVIT should be strengthened.
- ▶ Unsuccessful SOLVIT complaints should be subject to **accelerated infringement procedures**. SOLVIT could be strengthened this way.
- ▶ Tighten the bonds between the ENTERPRISE EUROPE NETWORK and SOLVIT in order to successfully support European enterprises facing internal market barriers.
- ▶ SMEs are to be granted an easy access to standardization and the newly found organization "Small Business Standards SBS" is to be supported. Furthermore a system of impact assessment is to be introduced.
- ▶ Implementation of a qualified single-flow-system in the framework of external trade statistics.
- ▶ The standardization process has to be set up according to the actual needs of the stakeholders and its economic efficiency.
- ▶ Stronger involvement of the Austrian Federal Economic Chamber in the recognition of professional qualifications: With the revision of the Directive on the recognition of professional qualifications a new instrument called European professional cards is introduced. It is designed to facilitate the recognition of professional experience. In order for the professional card to be introduced the relevant professional group has to express a sufficient interest in the introduction of the professional card. As the legal representative of all Austrian businesses, the Federal Economic Chamber Austria should be increasingly involved in these processes. After the revision of the Directive, Member States are also encouraged to notify the Commission of their regulated professions and to justify them. This list is then being evaluated by the other Member States. An involvement of the Austrian Federal Economic Chamber with its bundled know-how of different professions is crucial. In this context, the Austrian Federal Economic Chamber would like to point out the direct relation between regulated professions, the dual training

system in Austria (as an example of best practice in Europe) and the low youth unemployment rate. Without regulation there would be no incentive to make a dual training.

- ▶ We agree with the European Commission that the services directive has to be fully transposed by Member States into their national systems, including the Points of Single Contact.
- ▶ We agree with the European Commission's initiative to create a Digital Single Market

## 5. Advance the European research and innovation area

The EU and its member states need to focus on innovation-oriented growth policies in order to cope with the challenges of the future. At the beginning of 2014 the EU launched its most important instruments to improve competitiveness, growth and employment prospects: Horizon 2020, COSME and the Structural Funds. The focus must now lie on the efficient implementation of these programs so that they can deliver on the promise of easier participation and simpler administration. This also applies to the EIT and the financial instruments.

- ▶ This is mainly the task of the Commission. So is the design of a workable and appropriate state aid framework for research, development and innovation (R&D&I).
- ▶ The European Parliament and the European Commission must advance the European Research and Innovation Area, deepen EU and member state cooperation, and improve R&D infrastructure as well as science & engineering skills across Europe.

## 6. Reform of the EU Treaties

The Austrian Federal Economic Chamber calls for the following issues to be taken into consideration at the next reform of the EU Treaties:

- ▶ **Assessment on an individual basis whether a transfer of competences from the Member States to the EU** or the other way around would be considered necessary: The economic and financial crisis can only be solved at European level, therefore the Economic and Monetary Union should be strengthened including a stronger integration of fiscal and economic policies and a stronger involvement of the European Parliament and national parliaments as well as the social partners and Chambers of Commerce. We also support in principle a stronger integration in the fields of environment and energy, with a few exceptions such as soil protection. However, there is no need to harmonize the social security systems. Also direct taxes should remain the competence of the Member States, apart from initiatives to prevent cross-border tax fraud and undue tax avoidance. With regard to the single market the principle of mutual recognition should be given more attention.
- ▶ EU institutions need to take the **subsidiarity principle** seriously and propose and adopt only measures with a clearly demonstrated European added value.
- ▶ Integration of the **new Economic Governance Framework into the EU Treaties**.
- ▶ A stronger involvement of the social partners and Chambers of Commerce in all relevant policy areas.
- ▶ Plenary meetings of the European Parliament only in Brussels as well as one seat in Brussels.

## 7. EU-Enlargement, EU's neighbours , Macro-regional strategies

Enlargement has been one of the EU's most successful policies. The results benefited not just new members, but existing ones too. Especially Austria is a big winner of the previous EU-Enlargement.

- ▶ The European Union must remain the driving force of the stabilization in the countries of the Western Balkans.

- ▶ The Austrian Federal Economic Chamber advocates a continuation of the integration of the (potential) candidate countries into the EU with the understanding that these countries continue to consequently implement the required reforms. We support the Commission's enlargement strategy.
- ▶ The Agreement on the European Economic Area between the EU and the three EFTA states should serve as a potential model for the EU's relations with the EU's neighbours.
- ▶ Macro-regional strategies should focus on areas where they can have a real added value and unnecessary duplications are to be avoided.

## 8. Support of defence and security industry

According to the conclusions of the European Council from December 2013, the Commission, the High Representative and the European Defence Agency are determined to take verifiable steps to implement the orientations set out in the mentioned documents.

- ▶ Priority should be given to financial support programs for R&T, internationalization and involvement of SME.
- ▶ The export license systems within the EU must be harmonized in order to avoid competitive disadvantages for European companies.

## 9. Internationalisation of the economy

Increasing international trade in goods, services and investment can not only be considered beneficial to growth, the economy, employment and consumers but also to tapping the full potential of small and medium sized enterprises (SME) in global markets.

Thus international trade should be promoted by preventing and reducing unjustified market access barriers, by strengthening trade rules, by promoting predictability and a stable legal framework for traders, service providers and investors and by improving economic and trade relations to strategic partners. The Austrian Federal Economic Chamber strongly opposes sanctions against Russia. We call for their rapid removal.

**SME-Internationalisation:** The EU is increasingly active in the area of SME-internationalisation (e.g. by establishing EU Business Centers or organising business missions) although this policy field lies in the competence of the member states. In any case it is necessary to avoid duplications with national institutions and services and to make sure that a true European value added is achieved..

## 10. Corporate finance and capital market

- ▶ Financing of Enterprises and Capital market: WKÖ welcomes the Commission's initiative of creating a Capital Market Union. Austria is still lagging behind in the supply of alternative finance. At the same time it should be taken into account that financing from banks (loans, overdrafts) will continue to be the most important external source of finance for SMEs in Europe. Therefore it is crucial to limit the cumulative regulatory burden for credit institutes and to fully respect the principle of proportionality. WKÖ welcomes the significant increase of financial instruments in 2014-2020, including the financial instruments that will be offered through the EFSI by EIB (in EFSI 5 bn. € have been earmarked for financial instruments that should generate investments of SMEs and mid-cap enterprises of up to 75 bn. €). It is important that the respective administrative procedures are as simple as possible.
- ▶ Proportionality: While it is clear that some EU-legislation due to its technical nature ought to be adopted by means of delegated as well as implementing acts, the respective competences should only be conferred upon the Commission as well as the European Supervisory Authorities if clear preconditions are set in the basic legal act and if the principles of proportionality and democracy are respected.

- ▶ Structural reform of the banking sector: It is necessary to make sure that the regulation on the separation of certain trading activities from credit institutions, which has been proposed by the Commission, does not affect important banking activities with a direct link to the client.
- ▶ Business models: EU-legislation should duly reflect the diversity of the European banking sector, in particular with view to the different legal forms and business models.
- ▶ Financial education: The European Union should promote the incorporation of economic as well as financial education into the school curricula of Member States, in order to make the risks and benefits of financial products more comprehensible for all consumers.
- ▶ Financial Transaction Tax: WKÖ welcomes in principle efforts to introduce a financial transaction tax in the framework of the enhanced cooperation. An union wide implementation should remain the long term goal. Transactions that are relevant for the real economy should not be negatively affected, like hedging transactions by companies and pension schemes. Also market making activities and repo agreements are important and should therefore be excluded from the tax. Concerning credit accounts it should be taken into account that they already pay bank taxes in some member states.

## 11. Fair balanced consumer protection law

The Austrian Federal Economic Chamber is committed to a functioning civil consumer protection. However, a fair balance between consumer and business interests in terms of consumer protection law needs to be in fact ensured. On the other hand the model of a so-called mature and responsible consumer is to be considered, when elaborating consumer protection legislation, on the other hand the model of a small and medium sized enterprise as SME are the backbone of the European economy. The Think Small First principle must become reality in the EU decision making process, the Small Business Act must not remain a lip service as far as consumer protection legislation is concerned.

- ▶ Excessive information requirements of businesses to customers are to be rejected. Moreover, the Austrian Federal Economic Chamber is of the opinion that sanctions against businesses with criminal character are highly inappropriate in the field of civil consumer protection.
- ▶ Furthermore, too restrictive regulations limit the scope of action of companies resulting in less favourable conditions on a voluntary basis compared to mandatory law. Therefore, the Austrian Federal Economic Chambers stresses the importance for a reasonable scope of action for entrepreneurial competition.
- ▶ Penalties must not be disproportionately high or threaten the existence of businesses. In Austria, legal persons enjoy the same protection of data as natural persons. This protection for legal persons must in any case be guaranteed.
- ▶ An evaluation and practice-oriented revision of the Consumer Rights Directive that has led to tremendous burdens especially for SME is urgently needed.

## 12. Transport and Telecommunication

Transport enables economic growth and is essential for a competitive economy. Moreover, transport and mobility are vital for our internal market and the movement of goods and people throughout the European Union. Due to the fact that transport is a global and cross-border issue, in general a further harmonisation of the European legal framework for the transport sector is necessary in order to prevent uncoordinated national initiatives.

- ▶ Therefore, the Austrian Federal Economic Chamber calls for example for an EU-wide harmonized framework for tolls, a rapid adoption of the implementing acts based on the revised Directive 96/53/EG on Weights & Dimensions and a harmonisation of the marking for environmental zones at EU level.
- ▶ In the Directive on the initial qualification and periodic training of drivers (Directive 2003/59/EC) a general recognition requirement for continuous training certificates by other EU Member States is to be

determined. We oppose the idea that cabotage may be further liberalised as long as no EU-wide social and economic harmonisation exists.

- ▶ The TEN-T should be complemented: To enable the schedule until 2030, EU funds for TEN-T should be increased within the next Financial Framework. In addition, innovative financial instruments should be strengthened to attract more private financing for infrastructure investments.
- ▶ The transport sector is particularly hit by the economic consequences of a gradual re-introduction of border controls. In general the re-erection of national borders has to remain a measure of last resort. Practical solutions like a priority lane for commercial transports should be applied.
- ▶ Reform of the EU-Framework for Telecommunication: Technological change and economic challenges require the legal provisions governing the European telecom markets to be examined and, if necessary, to be refined in order to keep pace with current developments. The Austrian Federal Economic Chamber is in favour of a cautious reform process of the EU legal framework for the telecom sector. The revised regulatory regime must ensure that the provision of innovative economic services and sustainable business models remains possible for telecom operators. Moreover, it is important for the new European legal framework to adequately address the question of Over-the-Top (OTT) regulation.

### 13. Energy and environmental policy

A balanced energy and environmental policy must be consistent with the overall objectives of the European Union, namely the promotion of growth, employment and a gradual reindustrialization of the Union.

Key elements are:

- ▶ Action against climate change: Climate policy targets must be compatible with the competitiveness of European companies and with the attractiveness of the EU as a production location in comparison with the rest of the world. The “Paris-Agreement” signed in December 2015 is a step in the right direction because the vast majority of countries agreed that action is necessary to tackle climate change.
- ▶ However, compared to the other parties of the global climate agreement the European Union’s GHG reduction target of 40% until 2030 (compared to 1990) leaves the Union alone in its effort for climate protection. Therefore, European industry still faces higher carbon costs than companies in the rest of the world. This weakens Europe’s competitiveness. Therefore carbon leak protection mechanisms have to be maintained in order to ensure that energy-intensive production is held in Europe.
- ▶ Secure, sustainable, competitive and affordable energy: Completion of the internal energy market and creation of a regulatory environment that favors the increase of energy efficiency, in particular concerning buildings, mobility and products.
- ▶ The EU needs a coordinated position towards important supply and transit countries to diversify supply countries and routes.
- ▶ Technology-based innovation by enforced R&D should promote technologies ready for “take off”, integrate them on the market and put them faster into practice. SMEs, the backbone of Europe’s as well as Austria’s economy, should be assisted particularly in this important task.
- ▶ The Circular Economy Package offers many opportunities for business organizations. Product design rules mustn’t weaken the innovative capacity of European companies. The proposed rules on extended producer responsibility schemes leave important points unclear (limit to responsibility? How to apply the schemes on goods from third countries?) which is why WKÖ is critical. Landfilling should be reduced to a minimum because landfilled resources are lost resources. Recycling objectives should be technically feasible as well as economically and ecologically reasonable - Recycling is no end in itself.

## 14. European Education Area

The implementation of existing targets and instruments, in particular the European Qualifications Framework (EQF) and the European Credit System for Vocational Education and Training (ECVET), should take priority over new initiatives. A strong commitment of the European Commission regarding the implementation of EQF and ECVET is necessary.

### ▶ **Combating youth unemployment in Europe, improving training:**

The Austrian Federal Economic Chamber calls for further steps to reduce youth unemployment in Europe significantly: inter alia establishment of an EU target for reducing youth unemployment, continuation of the EU-wide youth guarantee and the rapid and non-bureaucratic availability of unused Structural Fund resources. The MFF 2014-2020 includes an important deal on flexibility which will allow making a maximum use of funds. Promoting mobility schemes for educational purposes, which are tailored to the needs and interests of the different groups of learners, is of particular importance.

A strong European Social Partnership as well as strong national Social Partnerships are a key factor for the success to fight youth unemployment. The role of the social partners in shaping the apprentice training system is of great importance for the adaptability of Austria's vocational education.

### ▶ **Economic and financial education**

The European Commission should motivate Member States to put more effort in the integration of economic and financial education in the curricula of schools.

## 15. Strengthening the European creative industries

The creative industry has hardly as another area gained in importance as economic and competitive factor within the European Union in the last years. Because of a better consideration of the creative industry potential in the European innovation policy and targeted measures based on creative industry strategies of the European Union can the creative industry be strengthened and her innovation and growth share for Europe can be further increased.

## 16. Social policy

The EU-2020 strategy is the political framework for the implementation of the European social and employment policy. The EU needs growth:

In order create jobs and to secure the European Social Model(s) in a sustainable way, it is important that economic growth is fostered. This can only be achieved by creating a business friendly environment, taking especially into account the needs of the Small and Medium Sized Enterprises who are the backbone of the European economy.

### ▶ **Priorities are inter alia:**

- The revision of the posting of workers directive must not harm the freedom of services
- Amendment of the Working Time Directive
- Simplification of social legislation relating to road transport
- New start for work-life-balance: no extension of existing rights concerning maternity/paternity leave
- European directive on maternity protection: no extension of existing rights
- No compulsory legislative commitment on the representation of women in supervisory boards.

### ▶ **Combating youth unemployment in Europe**

The Austrian Federal Economic Chamber calls for further steps to reduce youth unemployment in Europe significantly: inter alia the establishment of an EU target for reducing youth unemployment by 50 per cent, continuation of the EU-wide youth guarantee and the rapid and non-bureaucratic availability of unused Structural Fund resources. The MFF 2014-2020 includes an important deal on

flexibility which will allow making a maximum use of funds. Promoting mobility for educational purposes is of particular importance.

A strong European Social Partnership as well as strong national Social Partnerships are key factors for the success to fight youth unemployment as demonstrated by the Austrian case.

## **17. Communicating Europe**

The dialogue with European citizens should be strengthened particularly at local level.

National stakeholders such as civil society social partners, NGOs must become more widely involved.

- ▶ The EU institutions should propose and adopt only measures with a clearly demonstrated European added value and have to give an adequate statement of the reasons on which a new regulation is based.
- ▶ It is also necessary to develop better crisis communications in order to strengthen the credibility of the EU institutions.