



Recommendations for the future of Europe

Austrian Federal Economic Chamber

September 2017

The Austrian Federal Economic Chamber (WKÖ) is the legal representation of interests for approximately 500.000 companies from all sectors as well as social partner on behalf of the employers. WKÖ is registered under No 10405322962-08 in the transparency register of the European Commission and the European Parliament.

1. Introduction

On the 25th of March 2017, the 60th anniversary of the Treaties of Rome, and thus the foundation of today's European Union, was celebrated. This is the right moment to reflect on what has been achieved until now and to look towards the future.

Austria, as a small open economy, benefits from the international trade of goods and services. Austria's integration within the Single Market is fundamental for its international competitiveness. Therefore, **a strong and functioning European Union** is of particular interest to Austrian businesses.

A study commissioned by the Austrian Federal Economic Chamber shows that Austria owes 150.000 jobs, about one third of all foreign direct investment and 7% of its wealth to EU integration.¹ In Austria, foreign direct investment rose from € 16 billion in 1995 to around € 151 billion euro in 2015.

The export rate (exports of goods and services measured by GDP) increased from 33,6% (1995) to 52,6% (2016). Thereby, more than half of Austria's value added is generated abroad. Austria is particularly dependent on the EU market, considering more than 70% of external trade is conducted with other EU Member States. Austria's export of goods in the EU rose from € 33 billion in 1995 to € 91 billion in 2016.

The European Union faces major challenges today, namely Europe's position in the global economic competition, the refugee crisis, Brexit and the current global political situation. Therefore, in order for the EU to provide answers to current economic and political challenges and to succeed in the international competitive environment it's capacity to act and adequately function needs to be strengthened.

2. Executive Summary

Based on a first assessment by Austrian businesses, in a European Union of 27 Member States the following concerns should be taken into consideration:

- In order to create a business-friendly regulatory environment the European Union should focus on initiatives with **a clear European added value**. In areas regulated at EU level Member States need to commit to an **effective enforcement** of the measures agreed upon.
- A closer cooperation between some but not all Member States is already a reality in some areas, for example Schengen, the Economic and Monetary Union (EMU) and the unitary patent in the field of enhanced cooperation (article 20 TEU). Yet one has to bear in mind that in certain areas, as for example **environmental, energy and transport policy**, EU-wide provisions are required to **avoid a distortion of competition**. To achieve this, EU

¹ „Austria in the EU or ÖXIT?“, WPZ study, 15th of November 2016

law has to be uniformly applied and interpreted, as well as implemented in a better way, at Member State level; otherwise, standards would only exist on paper.

- Also, in the **field of labour law and social policy**, legislative measures must continue to be applied to the whole EU. With regard to the Economic and Monetary Union, some standards in the field of social policy (for example the sustainability of social security systems; the functioning of labour markets) have to be converged. This should not be achieved by legislative means but rather by determining common goals and their periodical review.
- To make the **Economic and Monetary Union** more stable, resilient to crisis and competitive, a **stronger and enforceable integration of economic, fiscal and financial policy** is necessary. A far-reaching shift of competences can however only be considered, if sufficient economic and social convergence among Member States has been reached. Therefore, the Member States should strengthen their competitiveness by implementing structural reforms and creating a stable economic framework. First and foremost, each Member State bears responsibility for its own economic policy.
- The **Single Market** is the cornerstone of European integration. In Austria and the EU, it has contributed to economic growth and higher employment as well as many advantages for businesses and citizens. Nevertheless, remaining trade barriers have to be further reduced, and the regulatory framework has to become more business-friendly. In order to achieve a better implementation of the Single Market it is therefore of utmost importance that already **existing instruments** which are installed to **remove single market barriers**, such as complaints against a breach of EU law, EU Pilot or infringement procedures, are **intensely used**.
- In the fields of research, technical development and innovation, the performance of European actors in the global competition depends directly on the quality of the Single Market, a strong integration of markets, knowledge and the four freedoms of the EU. With the advancing digitalisation in mind **more enhanced integration in the field of research and innovation** is necessary.
- Concerning the field of cohesion policy, if more prosperous regions should continue to receive support the focus has to be on **competitiveness, innovation and SMEs**. Regarding the Structural Funds, **simplification and less red tape** should be pursued.
- The Austrian Federal Economic Chamber commits to efficient consumer protection, but in the future a **fair balance** between consumers' interests on the one hand and companies' interests on the other hand has to effectively be ensured.
- The Austrian Federal Economic Chamber underlines the **importance of enhanced economic and trade relations with partner countries**. This will strengthen the competitiveness of Austria's companies and ensure equal treatment with competitors on foreign markets as well as growth, employment and prosperity in Austria and the EU. Besides **measures against protectionism in third countries**, a closer cooperation between the EU and its trading partners in terms of multilateral, regional and bilateral negotiations as well as for example institutionalised talks to prevent trade conflicts in the forefront are needed.

- With regard to **migration and asylum policy**, better cooperation and an **effective enforcement of decisions** are needed. The asylum crisis has clearly shown that solutions have to be found together. A common sustainable European asylum system is necessary.
- The Austrian Federal Economic Chamber welcomes the **economic stimulus** resulting from further **integration of the European defence sector** as portrayed in the Reflection Paper on the Future of European Defence. However, the Austrian Federal Economic Chamber also points out the **risks of creating an over-dependency** of European enterprises on EU defence procurement only.
- The **EU Multiannual Financial Framework post 2020** has to gear EU expenditures more towards measures with a European added value. Furthermore, they have to be linked to the economic coordination at EU level. The Austrian Federal Economic Chamber advocates to focus EU expenditures on **boosting growth and investment** as well as **creating jobs**. Regarding revenues, the Austrian Federal Economic Chamber calls for keeping the current system of own resources, because it takes into account the economic performance of the Member States. There is no need to introduce new own resources based on taxes.²

Contact Persons:

Christian Mandl
 EU Policy Coordination Department
 Austrian Federal Economic Chamber
 Wiedner Hauptstraße 63
 A-1045 Vienna

T + 43 5 90 900 - 4315

E eu@wko.at

I <http://wko.at/eu>

Markus Stock
 EU Office of the Austrian Federal Economic Chamber
 Permanent Representation of Austria to the EU
 Avenue de Cortenbergh 30
 B-1040 Brussels

T + 32 2 286 58 80

E eu@eu.austria.be

I <http://wko.at/eu>

² <https://news.wko.at/news/oesterreich/Europa-zukunftsfaehig-gestalten.html>