



BDA



BDI



For the legislative period 2014–2019 Members of the European Parliament and the new European Commission are requested to set the compass for and help bring about a strong and competitive European Union.

With its study “Mapping the Cost of Non-Europe, 2014–2019”, the European Parliament has set clear growth-relevant priorities. Through this initiative, it has succeeded in identifying a manageable number of key areas which are of decisive importance for the European Union to move forward. The European Council and the European Commission have reached agreement on similarly worded policy guidelines. This is a new achievement in the institutional interplay of the EU, and one that we welcome.

German business would like to make its contribution to the debate on priorities for the upcoming legislative period with these factsheets in compact form. We do not agree with each and every proposal but the direction is right.

The European Union needs a clear political reorientation: energy, climate and environment policy needs to be linked to a Europe-wide strengthening of the industrial base. The path towards integration and structural renewal in the Euro area must be continued. This is also about social security, which is dependent on economic prosperity, investments and global competitiveness – so that new jobs are created and people, especially in the young generation, have sustainable employment perspectives.

To that end, we need a European Union that integrates, renews and is part of the global leadership.



**Ingo Kramer**  
President  
Confederation of German  
Employers' Associations | BDA



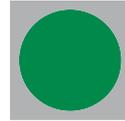
**Ulrich Grillo**  
President  
Federation of German  
Industries (BDI)

# Digital Single Market

## WHAT IS AT STAKE?

Digital services need a Digital Single Market. Ultramodern network infrastructure, an innovation-friendly legislative framework, a very high degree of confidence and security for digital services – this is what it is about.

A functioning Digital Single Market can lead to a €260 billion increase in EU GDP.



European policy-makers must create the right framework conditions for optimal use of the potential of digital innovations in the EU.

## ONLY A FEW EUROPEAN COMPANIES IN THE DIGITAL TOP CLASS

### ICT market leaders (2011/2012 by turnover)

IT services	PCs/Notebooks	IT Hardware
1. IBM 	1. HP 	1. HP 
2. HP 	2. Dell 	2. Cisco 
3. Fujitsu	3. Apple 	3. Canon
4. Accenture 	4. Lenovo	4. IBM 
5. CSC 	5. Fujitsu	5. Ricoh
Software	Terminals	Semiconductors
1. Microsoft 	1. Samsung	1. Intel 
2. Oracle 	2. Apple 	2. Samsung Electronics
3. IBM 	3. Nokia 	3. Toshiba Semiconductor
4. Symantec 	4. RIM	4. Renesas
5. SAP 	5. HTC	5. Texas Instruments 
Telecom providers	Network operators	www (worldwide)*
1. Ericsson 	1. NTT	1. Facebook 
2. Huawei	2. AT&T 	2. Google 
3. Alcatel-Lucent 	3. Verizon 	3. YouTube 
4. Cisco 	4. Telefónica 	4. Yahoo! 
5. NSN 	5. China Mobile	5. Amazon.com 

← Less than 10 % of worldwide ICT profits are generated by European companies. The EU urgently needs to catch up.

← The EU must make utmost effort to become a frontrunner in the next innovation wave of networked products and production.

← There are good preconditions for this in the EU – if the regulatory framework is right –, as the industrial technology base is excellent with many world market leaders.

 European companies  
 US companies

\* Top sites by number of hits

Source: A. T. Kearney, IDATE, Alexa, Financial Times

## PRIORITIES OF GERMAN BUSINESS 2014–2019

Europe needs a strong ICT sector and a strong Digital Single Market. That includes high-performance **broadband networks**. This calls for regulation that encourages investments and competition.

Also central are uniform strong rules for data protection. After three years of discussions, it is high time to adopt the **general data protection regulation** in order to strengthen confidence in digital services.

Policy-makers must create an appropriate legislative framework for security authorities and champion a high level of **IT security**.

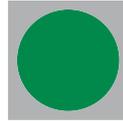
A functioning Digital Single Market will then help to manage pivotal challenges of the future such as the energy transition, Industry 4.0, growing traffic flows or demographic change.

## Completion of the Single Market

### WHAT IS AT STAKE?

The European Single Market is a driver of success in the EU for prosperity and social security, and is in constant expansion. However, the uneven structure of the market continues to stand in the way of further growth.

The European Parliament estimates that efficiency gains of €235 billion a year could be achieved through completion of the Single Market.



German business regards the Single Market as an indispensable core component of the EU to the benefit of EU citizens, consumers and companies and should be particularly promoted.

### TRADE IN THE EU SINGLE MARKET HAS MORE THAN TRIPLED IN TWENTY YEARS

Value of all goods traded in the EU Single Market, in € billion



The European Single Market is the largest internal market in the world.

The Single Market for public procurement (annual volume of more than €2.2 trillion) demonstrates the relevance of this sector for covering state needs to the benefit of citizens as well as the great potential for business.

Source: European Commission, 2012

### PRIORITIES OF GERMAN BUSINESS 2014–2019

A further **deepening of the Single Market** must be actively driven forward through stringent transposition, correct application and effective enforcement of Single Market provisions. This includes in particular better enforcement of the services directive, a further simplification and digitisation of administrative processes and a dismantling of remaining limits of free movement.

Following the reform of **EU public procurement law** in 2014, the task now is to implement the new rules across the EU.

The effectiveness of the **Single Market for public procurement**, which is in the primary interest of citizens and taxpayers, must not be cancelled out by unnecessarily overburdening of procurement with requirements linked to unrelated secondary objectives. Attempts to circumvent Single Market and procurement provisions – such as disallowed procurement procedures, legally questionable exceptions from tender procedures and calls for compensation deals in connection with tender procedures – must be firmly combated. The possibilities of special rules for **social** and **labour market services** must be used in an appropriate way.

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## Banking Union to prevent a new financial crisis

### WHAT IS AT STAKE?

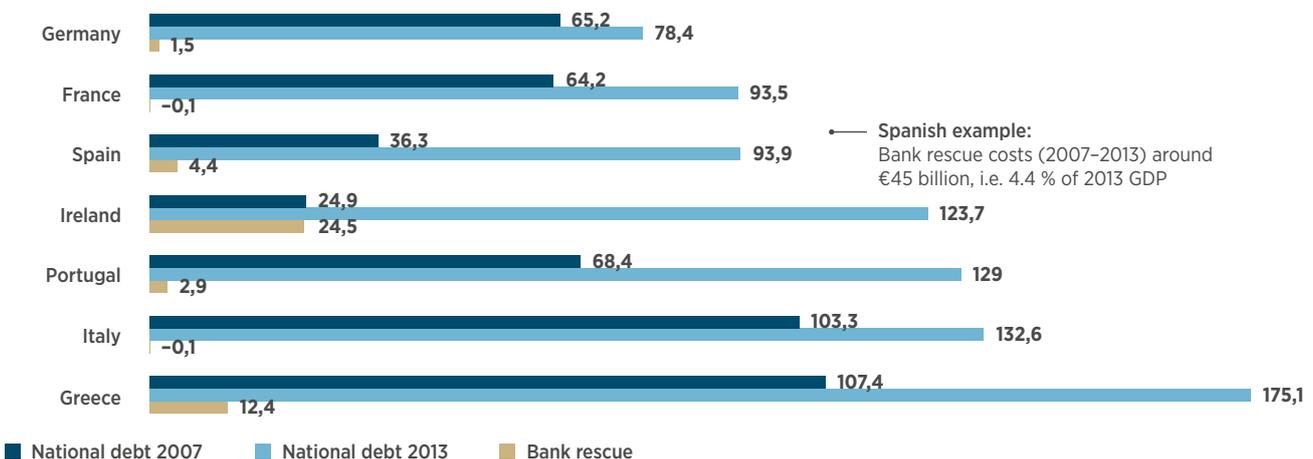
The European Parliament estimates that economic costs of €35 billion a year can be saved through a Banking Union.



German business supports the creation and completion of an effective Banking Union encompassing common bank supervision and a single bank resolution mechanism.

### FINANCIAL MARKET CRISIS: DRAMATIC INCREASE IN SOVEREIGN DEBT IN EUROPE

Sovereign debt 2007 and 2013 and costs of bank rescues (2007–2013), as a % of GDP



The outbreak of the banking and financial crisis has contributed to the dramatic increase of the debt level in the Euro area in recent years. Not least the examples of Italy and France show that poor budget discipline and absence of structural reforms have also contributed to national debt.

Source: Eurostat, 2014

### PRIORITIES OF GERMAN BUSINESS 2014–2019

An **effective Banking Union** can help to prevent financial distortions in credit institutions, improve the stability of the financial system and protect taxpayers from resolution costs.

Nevertheless, the Banking Union is no substitute for **structural reforms, consolidation measures** and a further improvement in **economic policy coordination**. Europe as a whole has to become more competitive.

The risks that are still dormant in many bank balance sheets constitute a great challenge for the new supervision mechanism. **Legacy problems** must be identified promptly and accurately in order not to overburden the joint liability.

Recapitalisation of financial institutions and resolution should be organised first and foremost through a bail-in of shareholders and creditors under national responsibility. The agreed **bail-in rules** must be strictly observed. Banks which are incapable of survival should be resolved.

Further measures are necessary to **unbundle national and bank debt**: alongside an adequate equity in financial institutions, the regulatory preferential treatment of government bonds must be restricted.

# Completion of an integrated European financial market

## WHAT IS AT STAKE?

Numerous regulatory, institutional and tax obstacles impede the emergence of a true Single Market for financial services.

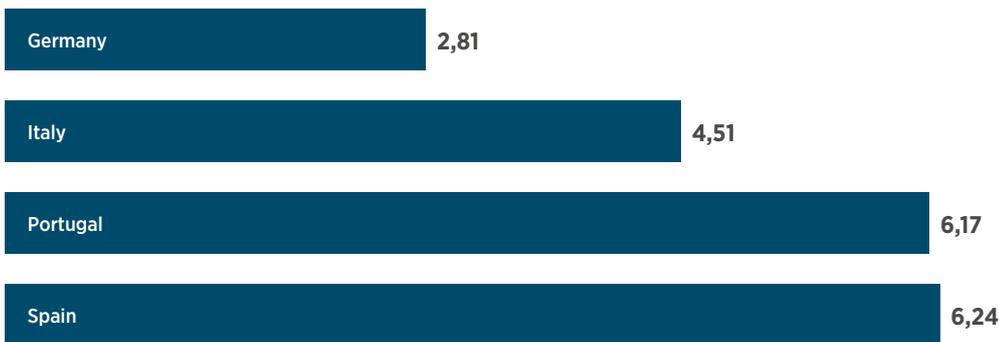
According to estimates by the European Parliament, a completely integrated financial market enables a saving of €60 billion a year.



German business supports a further dismantling of remaining obstacles in order to enable the advantages of a common financial market to be fully utilised.

## FRAGMENTATION OF FINANCIAL MARKETS LEADS TO HIGH INTEREST RATES AND BURDENS FOR COMPANIES IN SOME EURO COUNTRIES

Average interest rates for business loans with a duration of 5 to 10 years, as a %



Although interest rates in South European crisis countries have come down perceptibly, they still constitute a heavy burden for public budgets and businesses.

The continuing interest rate divergence is an expression of pronounced fragmentation on financial markets. A deeper integrated single financial market would widen the range of services for the real economy and make lending in the EU less expensive.

Source: ECB, 2014

## PRIORITIES OF GERMAN BUSINESS 2014–2019

The establishment of the Banking Union is an indispensable step but it is not sufficient to undo the **fragmentation** of financial markets. Central **obstacles to integration** include different national tax rules and remaining obstacles to cross-border banking and securities services. By contrast, a great step forward has been taken with **SEPA**.

An important lever for financial market integration would be a restoration of shaken **market confidence**. Many regulatory initiatives have been launched in recent years with a view to making financial markets more stable.

Banks and financial markets can only fulfil their function of supporting the real economy effectively if the **regulatory environment** is right. Regulation must take greater account of the financing interests of companies.

A critical **review of the effectiveness of existing regulatory provisions** must be an ongoing task. Policy-makers' motto for action must be not stricter but targeted, responsible regulation. In particular, the introduction of a European Financial Transaction Tax stands in the way of stronger financial market integration.

## European Unemployment Insurance

### WHAT IS AT STAKE?

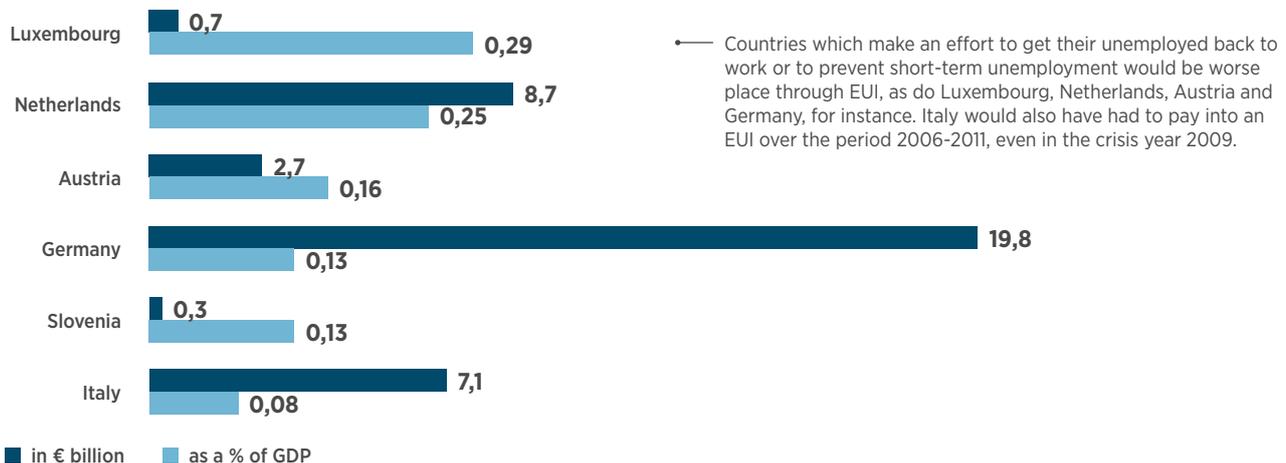
The idea of a European Unemployment Insurance (EUI) is to help smooth out macroeconomic and cyclical imbalances between Member States of the European Union through its function as an automatic stabiliser. The European Parliament assumes a hypothetical efficiency gain of €15 billion in selected Member States.



EUI is not a suitable instrument, because imbalances are not cyclical but structural. It does not produce any efficiency gain, but rather establishes a permanent transfer mechanism. In doing so a EUI reduces the incentive for necessary national structural reforms to promote the adaptability of labour markets and for sustainable solid financing of social security. Delay in implementing reforms perpetuates unemployment.

### FINANCING BALANCES OF A EUROPEAN UNEMPLOYMENT INSURANCE SCHEME

Net contributions to a EUI (Simulation for the period 2006–2011)



It is difficult to explain to people that Member States which went through painful reform processes before the crisis would be in a worse position as a result of EUI, especially if their resources are to be allocated to those which have not carried out the necessary national reforms.

Source: IAB, 2014

### PRIORITIES OF GERMAN BUSINESS 2014–2019

EUI cannot correct structural misalignments in individual Member States. What is needed are **structural reforms** to improve competitiveness and a **functioning, dynamic labour market**.

The **country-specific recommendations** comprise suitable measures for dismantling structural imbalances. They must in future be better implemented through binding agreements between Member States, European Commission and Council with appropriate involvement of national parliaments and social partners.

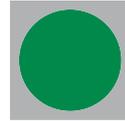
Efforts to **reform national labour markets**, to **consolidate public budgets** and to **improve the investment climate** must be redoubled in order to create the conditions for employment growth. In particular, obstacles to labour market access affecting primarily young people must be removed.

## Improved economic and fiscal policy coordination

### WHAT IS AT STAKE?

Without effective economic and fiscal policy coordination, dangerous contagion effects between Member States can occur, as the Euro crisis has made clear.

The European Parliament estimates that negative fiscal policy contagion effects alone generate macroeconomic costs of €31 billion a year.

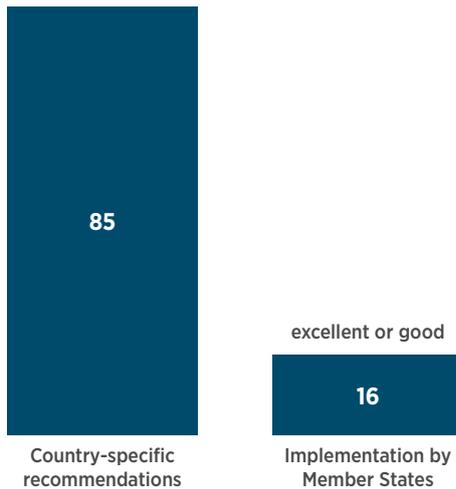


Economic and fiscal policy coordination, in particular inside the Economic and Monetary Union (EMU), must be further deepened and made more binding.

### INADEQUATE IMPLEMENTATION OF THE COUNTRY-SPECIFIC RECOMMENDATIONS

Assessment of BUSINESSEUROPE member federations on the country-specific recommendations 2013 and their implementation, as a % of all recommendations

very important or important



- The survey of BUSINESSEUROPE member federations shows: around 85 % of the European Commission's country-specific recommendations in the framework of the European Semester are central for strengthening the competitiveness of EU Member States.
- However, only around 16 % of the recommendations have been satisfactorily implemented by EU Member States.

Source: BUSINESSEUROPE, 2014

### PRIORITIES OF GERMAN BUSINESS 2014–2019

Integration in the Euro area should be clearly deepened in aspects which **strengthen the stability and competitiveness of EMU**. At the same time, new decision-making mechanisms have to be developed in the EU which enable **different integration speeds**.

The dual strategy of **growth-friendly budget consolidation** and **implementation of structural reforms** must be driven further forward. In the long run, monetary policy cannot compensate for the omissions of governments, such as absent or half-hearted national structural reforms for example.

The **Stability and Growth Pact (SGP)** should be applied consistently. SGP already contains considerable scope for flexibility.

This should be used in conjunction with genuine and effective structural reforms.

The **European Stability Mechanism (ESM)** should be equipped with clear competences for competitiveness, budget and fiscal policy. ESM has already made an essential contribution to reform successes in the crisis countries, because it links any form of assistance to reform requirements.

The **European Semester** should be strengthened through binding contractual agreements on structural reforms. Eurobonds would undermine necessary reform incentives.

# Common Security and Defence Policy

## WHAT IS AT STAKE?

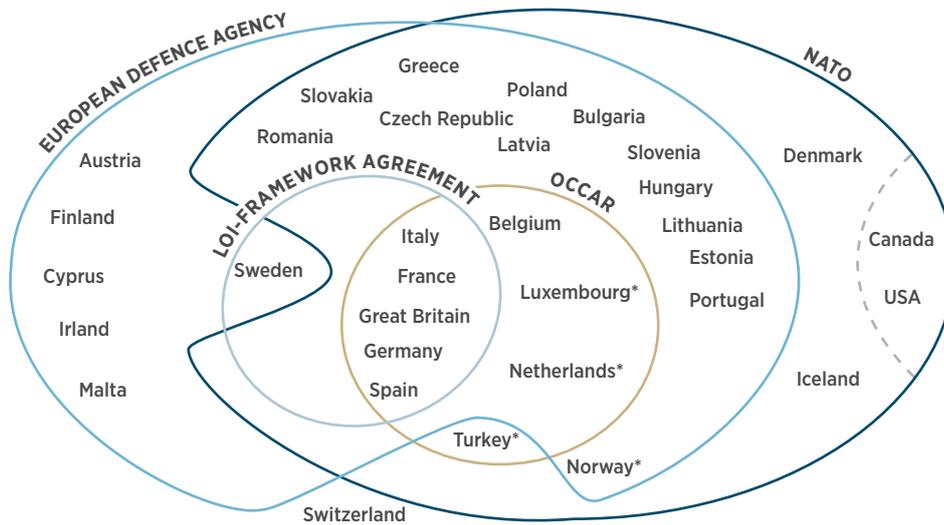
The European Parliament estimates that political progress in the three areas of the Common Security and Defence Policy – visibility, capabilities and industry – would allow efficiency gains of the order of at least €26 billion a year.



German business calls for development of the Common Security and Defence Policy to become a central EU priority 2014–2019.

## COMMON SECURITY AND DEFENCE POLICY HOLDS GREAT EFFICIENCY POTENTIAL

Current cooperative ventures at European level



- Cooperative ventures at European level are numerous and often uncoordinated.
- A Common Security and Defence Policy leads to significant efficiency improvements in procurement and operation and hence strengthens the security awareness and competitiveness of European companies.

\* involved at programme level

Source: ETH Zürich, 2008; OCCAR: Organisation for joint armament cooperation

## PRIORITIES OF GERMAN BUSINESS 2014–2019

To deploy available scarce financial resources efficiently and to achieve perceptible economies of scale, a new approach is needed on the basis of **demand-side harmonisation**.

Correct implementation of the **Defence Package** directives (2009/81/EC and 2009/43/EC) must be enforced by the European Commission.

The theme of **interoperability** and **standardisation** is of tremendous economic significance with regard to efficiency gains.

Within Europe, **certification and qualification procedures** should be coordinated in such a way that the organisational and financial effort of national procedures is significantly reduced.

**Research and development** is fundamental for the sector's future success and must be built up at European level.

A legislative framework which guarantees **security of delivery and supply** must be drawn up and introduced. The model must be the agreement between the six LOI countries.

# Transatlantic Trade and Investment Partnership (TTIP)

## WHAT IS AT STAKE?

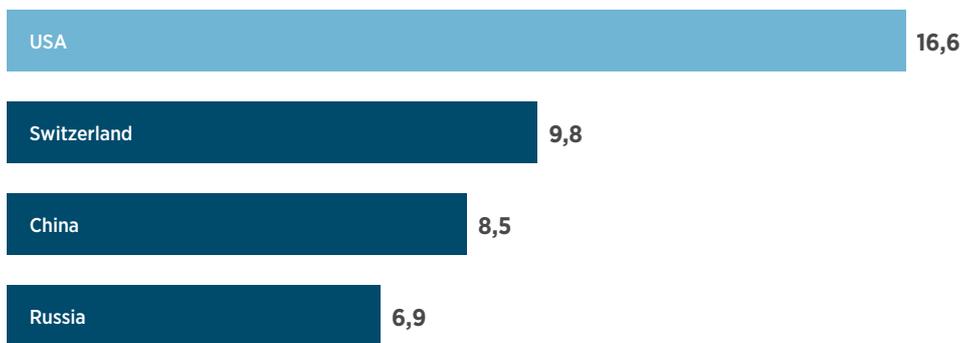
The European Commission estimates that TTIP could lead to additional growth of the order of €119 billion a year in the EU. In addition, the ifo institute forecasts that up to 100,000 new jobs could be created in Germany alone through an ambitious agreement.



The successful conclusion of the TTIP negotiations must continue to be a central EU priority 2014–2019. EU and USA are far and away the two largest economic regions in the world with the highest environmental, consumer and labour standards. They can set high benchmarks with global effects. This opportunity for global fair play must not be missed.

## USA IS THE EU'S MOST IMPORTANT EXPORT MARKET

Proportions of the major sales markets in the EU's total exports, as a %



In 2013 the EU exported goods worth €287 billion to the USA. This means that the EU exported more to the USA than it imported from the United States. The trade surplus was around \$195 billion. Nevertheless, trade is made more difficult by a large number of trade barriers such as customs duties and non-tariff obstacles to trade (e.g. authorisation procedures).

Source: European Commission, 2014

## PRIORITIES OF GERMAN BUSINESS 2014–2019

The confidence of the general public in TTIP has unfortunately been shaken by one-sided and sometimes false claims stoking fears such as the end of democracy, constitutionality and a massive lowering of standards. The truth is: TTIP is about **fair play in transatlantic and global trade**, about transparent rules, and not about lowering current standards and protections.

TTIP should lead to a comprehensive **market opening** on both sides of the Atlantic. This involves primarily a dismantling of industrial customs duties, an opening of public procurement as well as a dismantling of obstacles to investments.

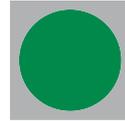
Through **regulatory cooperation**, TTIP can cut unnecessary transaction costs (e.g. double authorisation procedures) without placing a question mark over European standards in the fields of environment, consumer protection and employee rights.

The **development of rules which set an example for the rest of the world** through TTIP will also strengthen the global trading system, e.g. in the protection of intellectual property and customs procedures. Also central is a reform for better investment protection rules. Among other things, more confidence must be created in dispute settlement procedures. USA and Europe working together have the great opportunity to develop fair rules which also set benchmarks for other comparable agreements at a high level.

# European Single Energy Market

## WHAT IS AT STAKE?

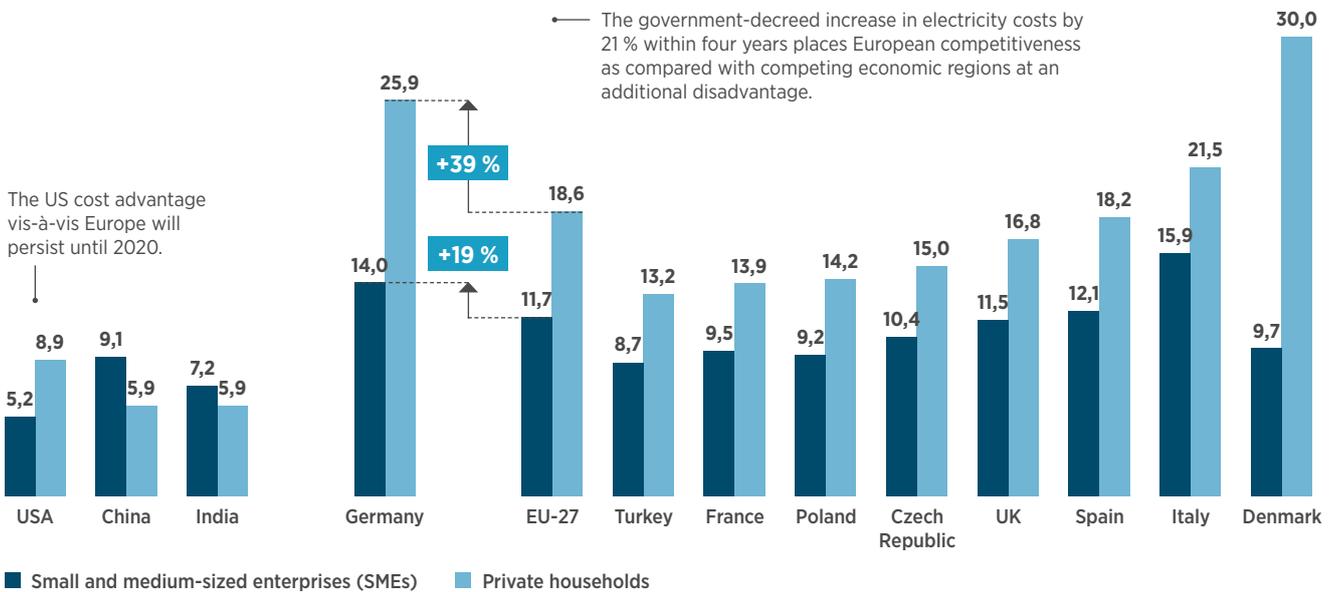
The European Parliament estimates that completion of the Single Energy Market could generate annual efficiency gains of €50 billion.



Completion of the Single Energy Market must be the central EU priority 2014–2019 in order to curb the rapid increase in energy costs.

## ELECTRICITY PRICES IN THE EU AND IN GERMANY ARE ALREADY VERY HIGH

A comparison of electricity prices, €/ct/kWh



Source: Siemens, Eurostat, IEA

## PRIORITIES OF GERMAN BUSINESS 2014–2019

Completion of the Single Energy Market with implementation of the Third Single Energy Market Package and development of corresponding infrastructures must constitute an absolute priority. Existing electricity capacities should be used to contribute to security of supply.

The rapid increase in energy costs must be curbed. German energy policy must be coordinated with European energy strategy and our neighbour countries. A possible progressive route to implementation consists in starting with cooperative ventures on regional, cross-border markets followed by a merger in a single European electricity market.

Policy approaches and financing instruments in R&D areas should be concentrated on development of more recent technologies.

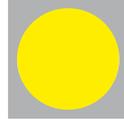
Energy costs should not be burdened with taxes designed to finance other policy measures. Rather, in order to preserve industrial competitiveness, Europe must find a way to close the energy cost gap with other economic regions by reducing the burden of taxes and charges on energy.

It is of decisive importance to restore investor confidence by making political requirements predictable over the longer term.

## Narrowing the gender pay gap

### WHAT IS AT STAKE?

The European Parliament is in favour of introducing a broad palette of measures for pay transparency and has tabled the idea of bureaucratic and interventionist equal pay rules. In addition, it has calculated that a 1 % narrowing of the gender pay gap would bring about a 0.1 % increase in European gross domestic product. Overall, the European Parliament assumes that a €13 billion efficiency gain can be achieved.



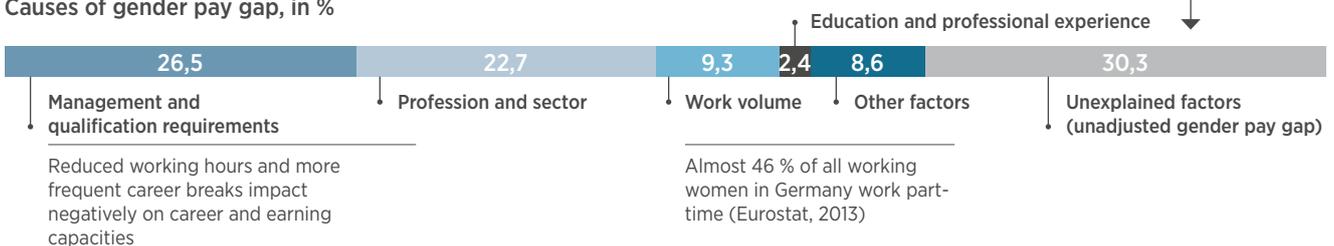
The gender pay gap is not an expression of discrimination. It can only be durably closed if the causes of different involvement in employment by men and women are addressed and framework conditions are put in place which further upgrade the professional activity and career opportunities for women.

### CAUSES OF PAY DIFFERENCES ACROSS THE GERMAN ECONOMY CLEARLY IDENTIFIABLE

Average gross hourly earnings, in €



Causes of gender pay gap, in %



Source: German Federal Statistical Office, 2013

### PRIORITIES OF GERMAN BUSINESS 2014-2019

If women do the same work as men for the same employer, they are paid equally. That is not only business practice but is also required by law.

German business rejects additional bureaucratic and interventionist equal pay rules because they cannot capture the **complexity of pay structures**. Statutory work assessment and the associated regulation would disregard specific circumstances in individual companies and sectors. In addition, they would constitute interference in **social partner autonomy**.

Reporting on remuneration structures would burden companies with additional bureaucratic effort instead of **dismantling**

**bureaucracy**; where employees have a right to information, it is not certain whether this would be compatible with **data protection legislation**.

In order to further strengthen work and career opportunities, needs-based and high quality **childcare as well as all-day schooling** have to be further expanded, **vocational and study orientation** has to be improved and wrong incentives in **tax and social legislation** have to be reduced.

Further efforts in human resources management as well as a partnership-based division of family work are also important.

## VAT and measures against tax evasion

### WHAT IS AT STAKE?

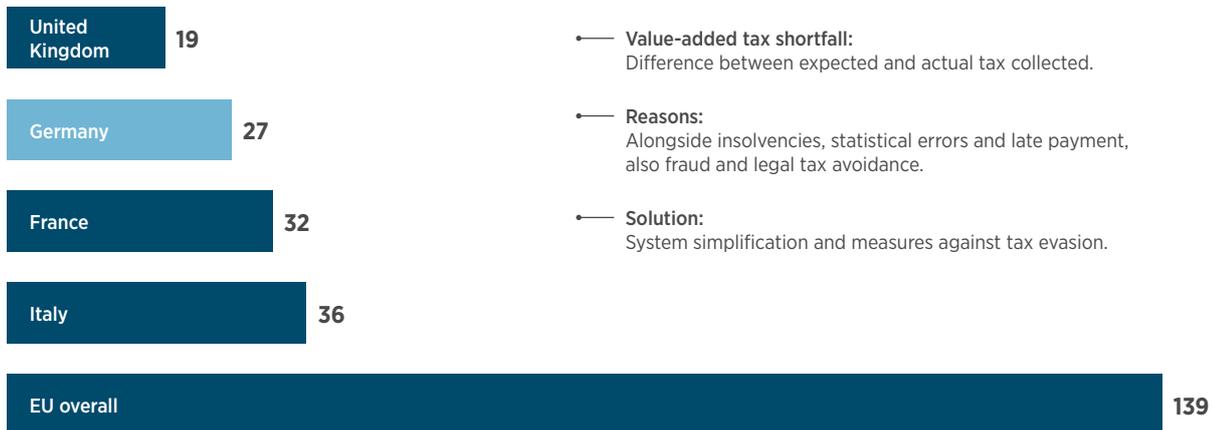
The European Parliament estimates that VAT shortfalls could be reduced by €7 billion through a standardised European invoice and an improved cross-border taxation system.



Harmonisation of the provisions for a better and more efficient European value-added tax system is important.

### VAT SHORTFALLS COST THE EU MANY BILLION EUROS A YEAR

Value-added tax shortfall in the EU in 2011, in € billion



Source: European Commission, 2013

### PRIORITIES OF GERMAN BUSINESS 2014–2019

Measures against tax evasion must be harmonised and coordinated with **international initiatives** to prevent conflicting trends in tax policy.

Objectives in the framework of the debate on **base erosion and profit shifting (BEPS)** should be intermeshed with tax policy objectives and harmonisation efforts at EU level.

A coordinated approach within **OECD** as well as in cooperation with the EU is necessary.

The relevant **EU directives to prevent withholding tax** should be reviewed in order to facilitate cross-border economic activities in the Single Market.

## Restructuring: worker information and consultation

### WHAT IS AT STAKE?

The European Parliament estimates that the introduction of an EU-wide legislative framework for restructuring of companies would reduce staff cuts by 22 % and lead to macroeconomic gains of the order of €3 billion.

This legislative framework should in particular comprise a widening of worker information and consultation rights.

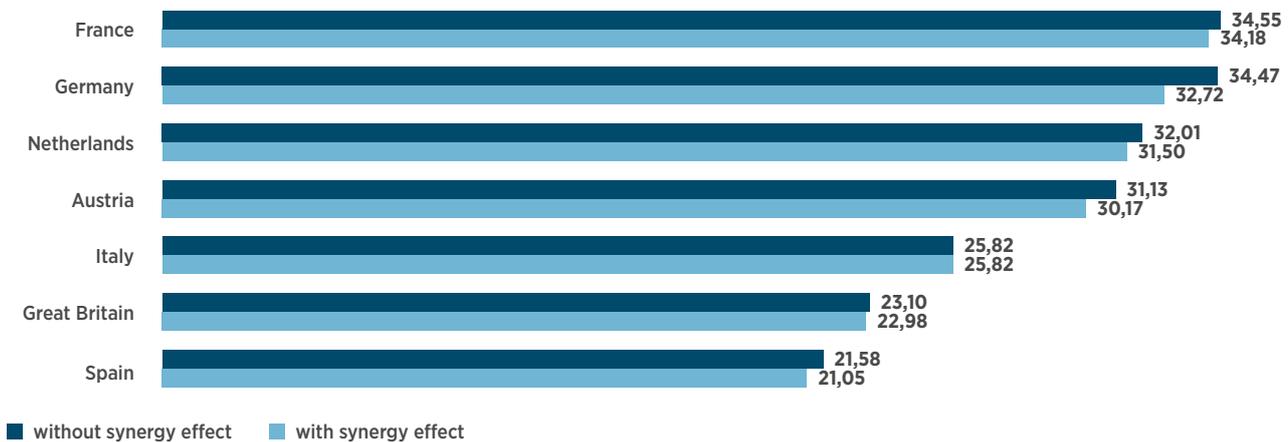


The initiative would render even more difficult urgently necessary restructuring operations which preserve and strengthen competitiveness, and therefore promote sustainable employment.



### INDUSTRIAL LABOUR COSTS WITH AND WITHOUT SYNERGY EFFECTS

Figures for manufacturing industry, in € per hour worked, in 2010



In an economy with a high degree of division of labour and exposed to global competition, restructuring operations are indispensable. Synergy effects (such as specialisation and division of labour) reduce labour costs and help to increase efficiency and competitiveness. Thus, jobs can be secured.

Source: IW Köln, 2011

### PRIORITIES OF GERMAN BUSINESS 2014–2019

For an employer, one of the constant strategic tasks of every company is to hold its own in competition on the market. In this regard, **restructuring is of central importance as a measure of adjustment to the market.** It enables companies to react to economic changes rapidly and in timely fashion. Ongoing adjustment processes enhance corporate competitiveness and contribute to job creation.

Accordingly, restructuring operations must not be **impeded or delayed by unnecessary, bureaucratic and cost-intensive uniform EU-wide measures.** A Europe-wide uniform approach (“one size fits all”) could never take account of the diversity of restructuring situations.

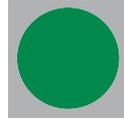
The **comprehensive regulatory framework which already exists** at EU level (inter alia directives on transfer of undertakings, on worker information and consultation, on establishment of European works councils or on collective dismissals, etc.) already ensures that company restructuring operations are organised to be as constructive and as socially acceptable as possible.

# Single European Transport Network

## WHAT IS AT STAKE?

Only on the basis of a modern European Transport Network can the European Union create more growth.

The European Parliament estimates that a deepening of the Single Market in the area of transport would allow efficiency gains of the order of €5 billion a year.

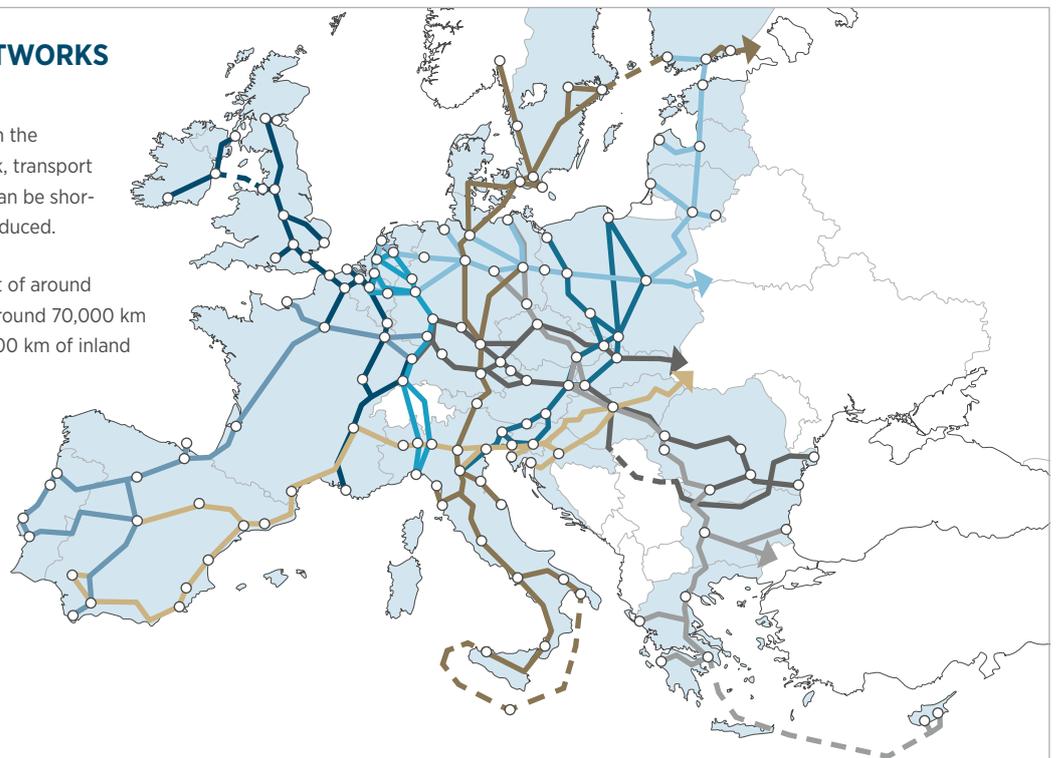


German business calls for a rapid extension of European transport arteries. This requires fiscal priorities in Brussels and at national level.

## TRANSEUROPEAN NETWORKS

- By eliminating bottlenecks in the European Transport Network, transport routes for goods transport can be shortened and transport costs reduced.
- This means the development of around 58,000 km of trunk roads, around 70,000 km of rail track and around 12,000 km of inland waterways.

-  Baltic <-> Adriatic
-  North Sea <-> Baltic
-  Mediterranean
-  Orient/East <-> Mediterranean
-  Scandinavian <-> Mediterranean
-  Rhine <-> Alpine
-  Atlantic
-  North Sea <-> Mediterranean
-  Rhine <-> Danube



Source: European Commission, BDI, 2013

## PRIORITIES OF GERMAN BUSINESS 2014-2019

Financial support must target projects in the **Transport Network** which eliminate bottlenecks and contribute to the Single European Economic and Transport Area.

**Structural issues in rail transport** must be evaluated with an open mind as to the result, financial flows must be transparent and the principle of subsidiarity must be observed. **Market liberalisation in rail transport** must be driven further forward. Tender calls for public services should be a requirement. The European Railway Agency (ERA) must become the centre of a European **authorisation organisation for rail vehicles** with flexible procedures.

**Restrictions on cabotage** must be lifted rapidly.

BDI champions fair **competition between and within ports**. Long-term planning certainty should be created for investments in infrastructure and suprastructure.

Efficient **airport sites** must be able to develop in response to demand. Policy-makers in Europe must finally make the **Single European Sky (SES)** into a reality. **European emission trading in air transport** is crystallising into a special levy and a dead end for climate policy. Efforts in the International Civil Aviation Organization (ICAO) should be intensified and a global level playing field in climate protection put in place rapidly.

# Completion of the European Research Area (ERA)

## WHAT IS AT STAKE?

Research, education and innovations are essential factors for economic growth in Germany and in Europe. At the present time, around 85 % of public expenditure on research is spent at national level.

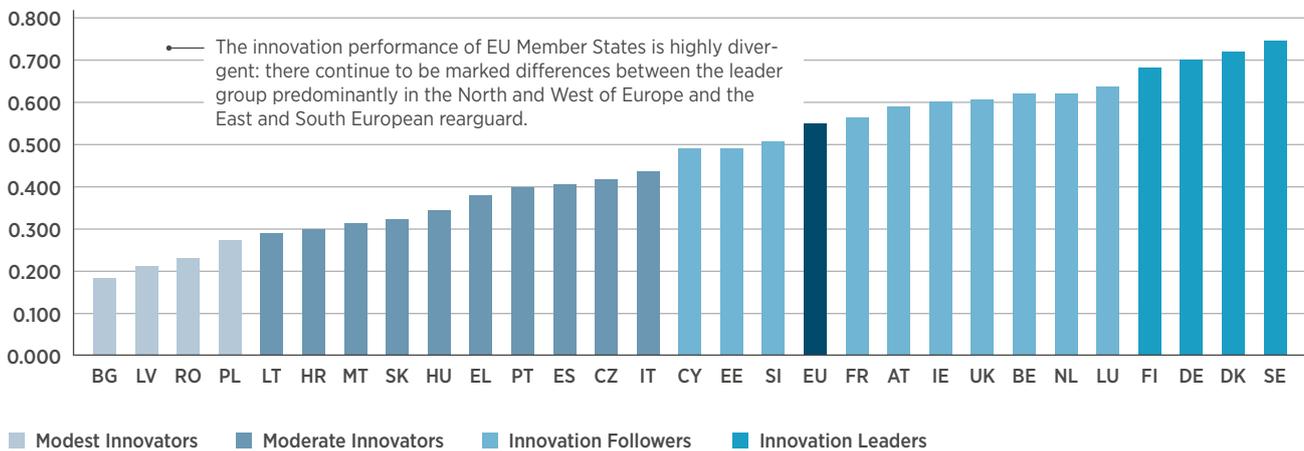
The European Parliament estimates that deeper cooperation in the framework of ERA would lead to efficiency gains of around €1 billion annually.



A strategically sensible completion of ERA must be an EU priority 2014–2019. In combination with further R&D measures, the efficiency gains are considerably higher.

## CONSIDERABLE DIVERGENCE BETWEEN INNOVATION PERFORMANCE OF EU MEMBER STATES

Innovation Union scoreboard, 2013



EP figures confirm: reaching the R&D goal of 3 % GDP, in combination with “Horizon 2020” and more public resources for pooled European projects would create €445 billion in additional growth and 7.2 million new jobs in Europe 2014–2030.

Source: European Commission, 2014

## PRIORITIES OF GERMAN BUSINESS 2014–2019

Further active development of ERA for 2014–2019 should be oriented on the **ERA priorities** already decided:

- More effective national research systems
- Optimal cross-border cooperation and the associated competition
- Open labour market for researchers
- Optimal exchange of, access to and transfer of scientific knowledge
- Development of strategically sensible R&D cooperative ventures with EU third countries.

Given the different characteristics of EU Member States’ national R&D systems, an adapted strategy for each Member State

is necessary. **Harmonised legislative initiatives** by the European Commission are inimical and sub-optimal in this context: there is no “one size fits all” European R&D policy.

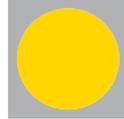
Business should be involved in ERA through the following measures:

- Stronger involvement of business in “**Horizon 2020**”
- Stronger intermeshing and cooperation between business and academia in the field of innovation, in particular at European level, for instance in the framework of the newly instituted Knowledge and Innovation Communities, KICs.

## Improved donor coordination in EU development policy

### WHAT IS AT STAKE?

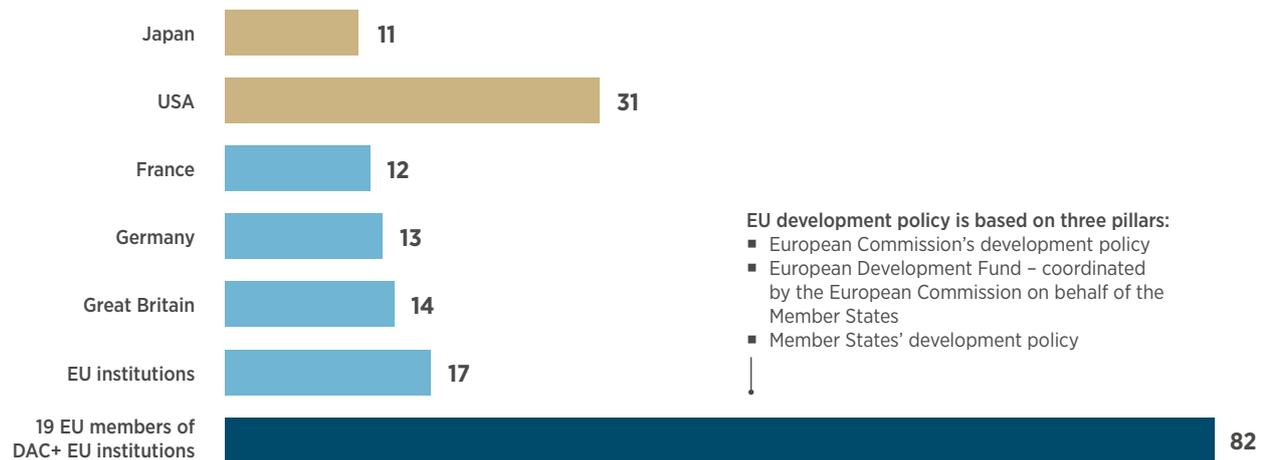
The European Parliament assumes that up to €800 million a year could be saved or deployed in a more targeted fashion in partner countries through improved donor coordination in European development policy.



German business supports the approach of better coordinating European development policy. However, there are considerable reservations about this being linked to a widening of budget assistance.

### EUROPE BY FAR THE LARGEST DONOR FOR DEVELOPMENT ASSISTANCE

Public development assistance 2012, in USD billion



EU development policy is based on three pillars:

- European Commission's development policy
- European Development Fund – coordinated by the European Commission on behalf of the Member States
- Member States' development policy

Overlaps and inefficiencies can be eliminated through improved EU donor coordination. The resources saved in this way could be deployed in a more targeted way.

Source: OECD, 2012; DAC – Development Assistance Committee of the OECD

### PRIORITIES OF GERMAN BUSINESS 2014–2019

German business supports a **coordinated EU procedure** for programming and setting substantive priorities of development cooperation programmes in partner countries. This would help to reduce transaction costs.

More **intensive cooperation** between **Commission** and (European) **business** could contribute greatly to better efficiency and more targeted implementation of development cooperation programmes.

Among other things, the focus should be on supporting **development of the private sector, mixed financing, hedging instru-**

**ments, development partnerships/private-public partnerships and multi-participant alliances** as well as sector-specific dialogues.

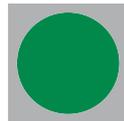
By contrast, **budget assistance** places high demands on governance, runs the risk of “addiction” to development cooperation and increases the probability of corruption. In addition, experience with EU budget assistance to date has been unsatisfactory. Accordingly, this should be reduced and under no circumstances increased.

## Company law: cross-border transfer of company seats

### WHAT IS AT STAKE?

There is a strong economic need for facilitating the cross-border transfer of company registered offices within the Single Market without having to be wound up.

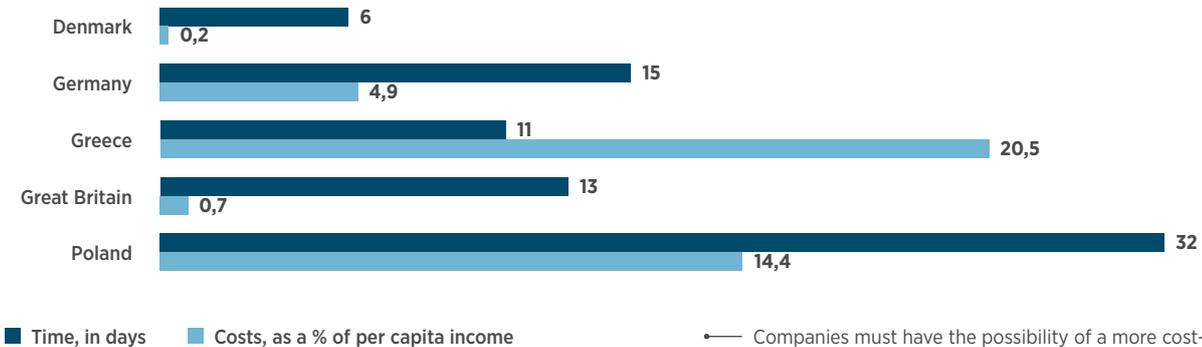
According to the European Parliament's estimates, the introduction of a transfer of seat directive would avoid costs of up to €200 million.



German industry calls on the European Commission to present a proposal for a transfer of seat directive and a new proposal for a European Private Company Statute (SPE).

### ADMINISTRATIVE BARRIERS INCREASE THE NEED FOR CROSS-BORDER TRANSFER OF SEAT

Average time and costs for start-up procedures vary considerably within the EU



— Companies must have the possibility of a more cost-effective, efficient transfer of its seat from one country to another.

Whereas the European Court of Justice (ECJ) has deemed a cross-border transfer of seat or cross-border transformation to be essentially permissible with reference to national transformation law (most recently in VALE, case C-378/10), a legally certain cross-border transfer of seat or transformation on the basis of ECJ jurisprudence is currently not possible, at least in Germany, and often runs into practical difficulties.

Source: "Doing Business 2013" report, World Bank

### PRIORITIES OF GERMAN BUSINESS 2014–2019

**Adaptation and modernisation of legislative framework conditions** in the field of European company law and corporate governance should be driven forward and measures to increase the competitiveness of the European economy should be placed at the centre of attention.

From the angle of business management, doing business successfully in a large market characterised by competition is not compatible with being tied to a particular company seat but calls for **flexibility** and **adaptability** from companies and business people alike.

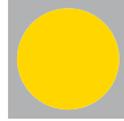
Alongside this, the European Commission is invited to present a new proposal for a **European Private Company Statute (SPE)** in order to promote the mobility of companies in the European Single Market and to create a supranational, uniform legal form. SPE could reduce the time, administrative and also cost burden for companies involved in cross-border activities and would also be attractive as a group component with a view to freedom to adjust internal structures with respect to relationships under company law.

## EU codification of Private International Law (PIL)

### WHAT IS AT STAKE?

The European Parliament is in favour of completing and consolidating existing legislation in the area of Private International Law (PIL). The objective is a systematic codification of all relevant PIL standards.

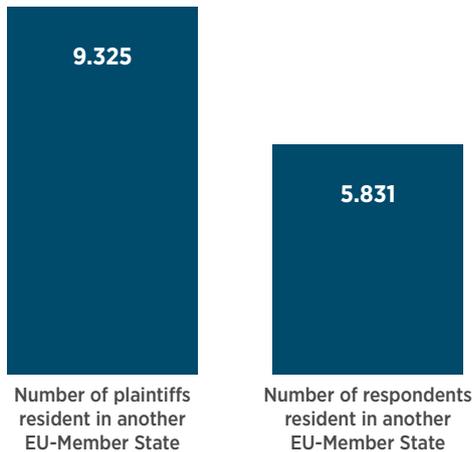
The European Parliament estimates that this codification of PIL would enable cost savings of the order of €98 million a year.



Measures to codify legal standards must primarily serve to strengthen competitiveness and promote cross-border trade. In this context, over-regulation should be avoided.

### LIMITED NUMBER OF PARTIES TO THE DISPUTE RESIDENT IN ANOTHER EU-MEMBER STATE

Number of parties to the dispute resident in another EU-Member State, 2012



For civil procedures before district courts in Germany, the number of plaintiffs and respondents registered in other EU-Member States is very small compared with the total volume, at just 0.5 and 0.8 % respectively.

The additional benefit of a EU-wide codification of PIL is not evident. In addition, only a few PIL themes are of real single market relevance for German business. It seems doubtful whether the effort of legal harmonisation is worthwhile. A harmonisation of PIL should have provide considerable advantage for companies and preserve that flexibility.

Source: German Federal Statistical Office, 2012

### PRIORITIES OF GERMAN BUSINESS 2014-2019

A codification of PIL is only sensible if direct **cost saving** in international trade can be expected. Such a complex initiative measured against the likely effort looks fairly doubtful.

Moreover, the extent to which a direct benefit for companies can be generated is questionable. There is a risk that an extensive codification will lead to additional **costs for citizens and SMEs**.

As a negative example in the field of substantive law, mention can be made of the Commission's proposal for a regulation on a **Common European Sales Law**.

The attempt to create common rules in support of cross-border trade between companies and consumers turned out to be a failure. In particular, the self-evident **balance of interests between consumers and companies** in German law is guaranteed only insufficiently. In its current version, the Common European Sales Law would not be a valid alternative in cross-border trade flows.

## European environmental legislation

### WHAT IS AT STAKE?

Better implementation of environmental legislation is set as a priority objective in the Commission's 7<sup>th</sup> Environmental Action Programme.

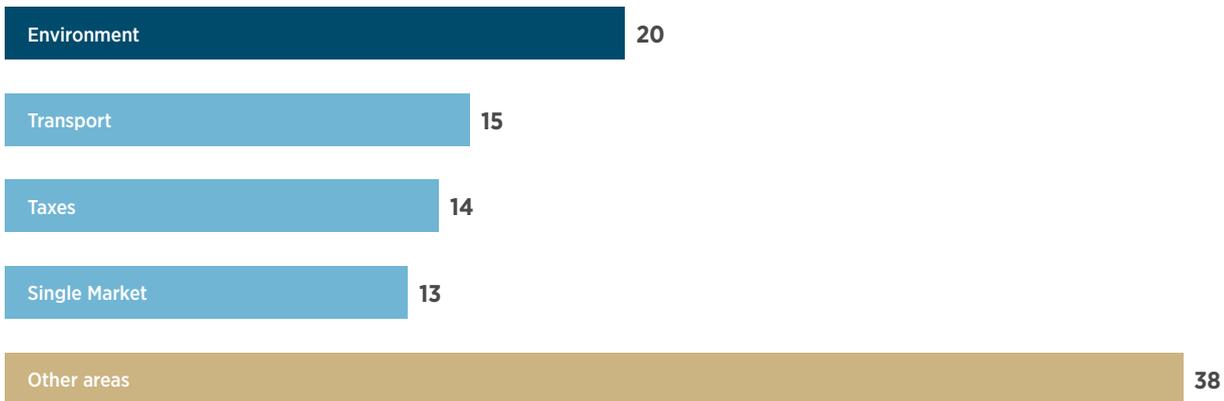
The programme refers to cost estimates of around €50 billion a year which arise from non-application of legal provisions. It also refers to the large number of Treaty infringement procedures linked to environmental legislation.



Transposition and full application of existing environmental legislation must take priority over the adoption of new legal provisions.

### EU ENVIRONMENTAL LEGISLATION SUBJECT OF MOST TREATY INFRINGEMENTS

The four policy areas subject of most Treaty infringement procedures in 2012, as a %



The Union's environment policy objectives are not being fully met due to deficient transposition and application of European environmental legislation. This leads to distortions of competition and disadvantages production locations where European environmental standards are fully met. Deficient transposition and application can lead to a loss of confidence in and respect for European environment policy generally.

Source: European Commission, 2012

### PRIORITIES OF GERMAN BUSINESS 2014–2019

The priority objective of better implementation of environmental legislation formulated in the 7<sup>th</sup> Environmental Action Programme must be realised in such a way that complete and even **transposition and application of existing environmental legislation** in all Member States takes precedence over the adoption of new provisions.

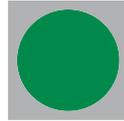
Furthermore, the Commission should in future make even more rigorous use of the instruments available to it such as **EU pilot procedures and Treaty infringement procedures**. The two instruments should be better coordinated with each other in order to avoid long-winded procedures.

Policy-makers should also examine the extent to which **recommendations on better implementation of EU environmental legislation** can be integrated in the European Semester.

# Convergence between Industrial, Energy and Climate Policy

## WHAT IS AT STAKE?

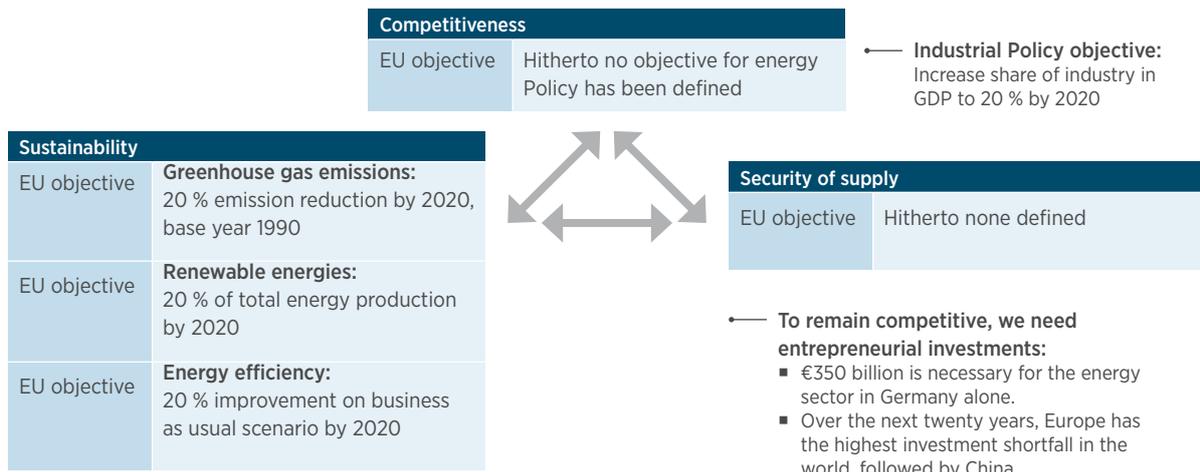
Unwanted interactions and overlaps between existing EU objectives and instruments weaken the competitiveness of European companies.



German business urges that European Industrial, Energy and Climate Policy must be considered in a holistic way with a view to competitiveness.

## INTERFERENCE OF ENERGY AND CLIMATE OBJECTIVES IN EUROPE WEAKENS COMPETITIVENESS

Difficulties in the current logic of EU Energy and Climate Policy objectives 2020



Source: BUSINESSEUROPE, 2013

## PRIORITIES OF GERMAN BUSINESS 2014–2019

German industry calls for more **convergence** between **Industrial, Energy and Climate Policy** in Europe. Europe must build on its strengths, hence the new Commission must give priority to the 20 % industrial share objective.

To that end, we need an **Energy and Climate Policy that is truly articulated at European level**, whose pillars must be built on a secure, competitive and sustainable energy supply.

These three components of the **Energy Policy Triangle** must be reflected in the setting of Policy objectives.

Industry's fundamental problem today is not the price of carbon but the loss of **international competitiveness** through unilaterally increasing energy and climate protection costs and requirements.

There are currently inconsistencies and interferences, hence the **European Emission Trading Scheme** must be established as the lead instrument of European and German energy and climate Policy, and linked on the cost side to financial support for renewable energies and energy efficiency.

The goal must be **internationally competitive energy prices**.

## Fining practice in competition law

### WHAT IS AT STAKE?

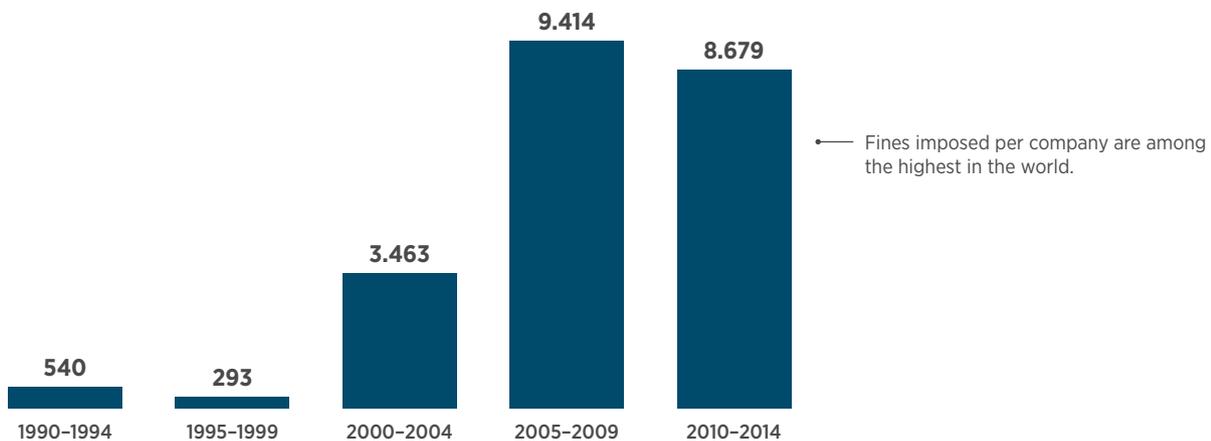
The fines imposed have involved record sums in recent years. Account must be taken of the constitutional principles of proportionality and fairness when fines are being decided.



German business calls for a review of the Commission's powers of sanction with regard to competition infringements under regulation 1/2003 to be expedited and for greater consideration to be given to the principle of proportionality.

### FINES IMPOSED IN THE EU HAVE INCREASED EXPONENTIALLY

Fines imposed 1990–2014, in € million



Under article 23 paragraph 2 of regulation 1/2003, the Commission can impose fines on companies of up to 10 % of the previous year's total turnover.

Status as at 25 June 2014

Source: European Commission, 2014

### PRIORITIES OF GERMAN BUSINESS 2014–2019

Anti-competitive behaviour must be punished and fines imposed must have a deterrent effect. Nevertheless, the provisions should not go further than the constitutional principle of **proportionality**.

In the long term, the Commission should act only as an investigation and complaints authority whereas EU courts should impose sanctions. In the medium term, a stricter **separation of investigation and decision-making competences within DG Competition** could bring about more independence in decision-making.

With regard to the constitutional principle of certainty, it is necessary for article 23 paragraph 2 of regulation 1/2003 itself to incorporate **adequately certain principles for setting fines**.

The **level of fines** should not be assessed against the parameter of the previous year's total turnover but set either according to the factual situation or success of the activity, or to the company's actual financial situation.

Serious **compliance efforts** by a company to prevent antitrust infringements should confer eligibility for a lower fine.

# Digitisation of industry: support for key technologies

## WHAT IS AT STAKE?

The digital transformation will be felt in all spheres of life, including business. It will continue its forward march in areas ranging from energy supply (smart grids) through mobility (smart mobility) to production (Industry 4.0/advanced manufacturing).

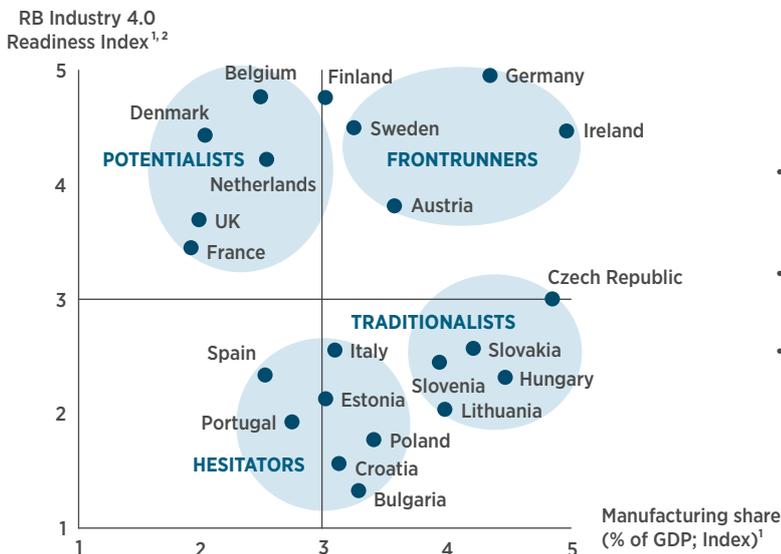
The Commission's objective of increasing the share of industry in European value creation to 20 % can only be achieved with the help of Industry 4.0.



The competitiveness of European industry for the coming decades can become a reality through support for key technologies, in particular through Industry 4.0 and digital technologies.

## DIGITISATION STRENGTHENS THE COMPETITIVENESS OF EUROPEAN INDUSTRY

Competition position of some EU countries with respect to Industry 4.0



- The conditions for Industry 4.0 in Europe are favourable. But many countries still have a lot of catching-up to do.
- Industry 4.0 increases the profitability of companies, however it is also very capital-intensive.
- Investments of the order of €1,350 billion are needed across Europe over the next 15 years in order to help Industry 4.0 make a breakthrough. This is €90 billion a year.

<sup>1</sup> 1 = low, 5 = high    <sup>2</sup> Adjusted for outliers Cyprus, Latvia, Luxemburg, Romania, Greece

Source: Roland Berger, 2014

## PRIORITIES OF GERMAN BUSINESS 2014–2019

Only systematic **support for key technologies** by the EU with a focus on Industry 4.0 and on digital technologies along the entire value-added chain will help the economy to remain competitive.

To create the Digital Single Market, it is indispensable to establish **Europe-wide uniform data protection** based on the principle of market location.

Digital infrastructures must be made available through the **development of broadband supply**.

Digital innovations should be strengthened through **tax incentives for R&D**. The Commission should orient industry-relevant

**EU support projects** more strongly on underdeveloped areas of the digital economy.

National legislation must be brought into line with the **EU cyber-security directive**.

**State aid rules** should be oriented more strongly on the objectives of Europe 2020. In addition, the issue of international subsidy races needs to be addressed more efficiently, in exceptional cases through extension of correspondence clauses.