

# AmCham EU Response to the European Commission Consultation on the Europe 2020 Strategy

## Executive summary

The uneven recovery in the EU has underlined the need to have a coordinated, holistic strategy for restoring jobs, growth and competitiveness. However, the Europe 2020 strategy is clearly not on track to achieve its targets in several areas, notably in relation to employment levels. It is clear that simply setting absolute targets is not enough. The American Chamber of Commerce to the European Union (AmCham EU) believes that certain targeted initiatives to build skills for the future, complete the single market, embrace industrial leadership, develop new models of innovation and lead by example towards global integration could make a substantial contribution to achieving many of the objectives of the strategy.

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*AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled €2 trillion in 2013 and directly supports more than 4.3 million jobs in Europe.*

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### **Taking stock: the Europe 2020 strategy from 2010-2014**

#### *Content and implementation*

#### **For you, what does the Europe 2020 strategy mean? What are the main elements that you associate with the strategy?**

AmCham EU regards Europe 2020 as an ambitious set of priorities, objectives and policy initiatives designed to return Europe to prosperity in an increasingly competitive and interconnected world. Since the Europe 2020 strategy was devised, Europe has been slowly recovering from the global economic crisis, however the rates of recovery have varied widely across the EU. Debt remains a significant challenge for some Member States, particularly in the context of stagnant or falling GDP, while other Member States have been able to maintain positive growth in a challenging international environment. This uneven recovery has further emphasised the need for the EU to have a coordinated, holistic strategy for restoring jobs, growth and competitiveness.

AmCham EU speaks on behalf of businesses of US parentage vested in and committed to Europe. Our organization consists of 163 multinational companies that have significant European footprints and that are part of the European economic fabric. A strong and dynamic Europe with a competitive and productive economy will ensure that companies can continue to operate and invest in Europe.

#### **Overall, do you think that the Europe 2020 strategy has made a difference? Please explain.**

The Europe 2020 strategy has correctly sought to focus the European Commission's policy-making on the objective of delivering growth and creating jobs for European citizens and strengthening the competitiveness of Europe's economy. Furthermore, AmCham EU welcomes all efforts by the Commission to ensure joined-up policy-making to improve policy coordination and coherence - notably the European semester process.

These benefits notwithstanding, the Europe 2020 strategy is not on track to achieve its goals in several key areas. While we acknowledge that Europe has faced an unprecedented economic crisis in recent years, the level of unemployment (particularly youth unemployment) remains staggeringly high in many Member States, with the majority a long way from reaching their targeted rates of employment. Despite this high level of unemployment, statistics from Eurostat suggest that there are over two million unfilled positions in Europe. Encouraging a better flow of highly skilled labour to employment opportunities could help address the problem of unemployment as well as contribute more broadly to European economic growth and integration. To address youth unemployment teachers, employers and students must be

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engaged in partnership with businesses to determine the skills which are in greatest demand. EU and Member State authorities should work together with educators and business associations to ensure proper alignment of demand and supply of skills, thereby boosting employment.

**Has the knowledge of what other EU countries are doing in Europe 2020 areas impacted on the approach followed in your country? Please give examples.**

AmCham EU represents 163 member companies with operations across the EU Member States. We are supportive of the sharing of data on Member States' performances with regard to reaching the Europe 2020 goals. This has the potential to serve as a means of highlighting the effectiveness of reform efforts in each Member State. We would encourage Member States to use this data on their comparative performances as an opportunity to exchange best practices.

**Has there been sufficient involvement of stakeholders in the Europe 2020 strategy? Are you involved in the Europe 2020 strategy? Would you like to be more involved? If yes, how?**

AmCham EU is keen to be involved in the relaunching of the Europe 2020 strategy by the new political leadership of the European institutions. It is important to engage with stakeholders from a very early stage of the legislative process to encourage them to join in a reflection on important policy questions and to promote shared analysis and thinking. This consultation is a welcome development. To enhance the stakeholder involvement in the process AmCham EU recommends that the Commission consider sharing draft impact assessments with key stakeholders to review facts and methodology.

Stakeholders should be given more information on the timeline of proposed pieces of legislation, in particular with regard to those that fall outside the Commission's annual work programme and are not accompanied by roadmaps.

We would also encourage the Commission to publish consultations at times when stakeholders are likely to have sufficient time and resources to provide concrete examples to corroborate their responses; it is not ideal, for example, for consultations to be held exclusively over the summer or Christmas periods.

As the amount of EU legislation increases, AmCham EU has noted a proportional increase in the number of delegated and implementing acts passed by legislators, many of which have significant impacts. We therefore feel that the scope of impact assessments should also be extended to some crucial delegated acts that could have substantial environmental, economic, social or innovation impacts.

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### *Tools*

**Do the current targets for 2020 respond to the strategy's objectives of fostering growth and jobs? [Targets: to have at least 75% of people aged 20-64 in employment; to invest 3% of GDP in research and development; to cut greenhouse gas emissions by at least 20%, increase the share of renewables to 20% and improve energy efficiency by 20%; to reduce school drop-out rates to below 10% and increase the share of young people with a third-level degree or diploma to at least 40%; to ensure at least 20 million fewer people are at risk of poverty or social exclusion].**

AmCham EU welcomes the ambition to achieve a 75% employment rate in Europe. To reach that goal, the initiative highlights the need to enhance the effectiveness of labour markets and create a more skilled workforce to close the skills gaps and address shortages of qualified workers in certain sectors.

We believe that Europe's future energy mix should involve a diverse range of energy sources, including renewables, nuclear, coal and conventional and unconventional oil and gas. All energy sources should be allowed to compete and innovate on a level playing field. Technological and tax neutrality should be the rule and market mechanisms should play their role.

**Among current targets, do you consider that some are more important than others? Please explain.**

We welcome that Europe 2020 draws attention to the need to increase investment in Research & Development, for example. For the EU to remain a competitive and innovative economy in a globalised world, it is crucial for European policy-makers to create a framework that encourages innovation, both in the private and public sectors.

However, simply setting targets is not enough; policy-makers need to be aware of the many challenges to starting a business and the need for clear, reasonable and consistent regulation.

**What has been the added value of the seven action programmes for growth? Do you have concrete examples of the impact of such programmes? ['Flagship initiatives': 'Digital agenda for Europe', 'Innovation Union', 'Youth on the move', 'Resource efficient Europe', 'An industrial policy for the globalisation era', 'Agenda for new skills and jobs', 'European platform against poverty'.]**

AmCham EU particularly welcomes the added value of the 'Innovation Union' programme, which has brought benefits and improvement to the research and innovation environment within the Union.

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### Adapting the Europe 2020 strategy: the growth strategy for a post-crisis Europe

#### *Content and implementation*

#### **Does the EU need a comprehensive and overarching medium-term strategy for growth and jobs for the coming years?**

AmCham EU reiterates its support for the strategy's strong emphasis on creating growth and jobs, and improving Europe's competitiveness in the global marketplace. In addition, we support efforts by the Commission to ensure all policy initiatives are coherent and well-planned and that EU policy-making is a coordinated effort towards a set of clear objectives. Creating a growth-friendly, competitive Europe requires policy-makers to produce consistent regulation that is consistently applied. We also welcome initiatives such as Refit which evaluate legislation to remove unnecessarily burdensome, conflicting or duplicative regulation which can hinder businesses' ability to grow and disproportionately affect Small and Medium Enterprises (SMEs) which may lack the resources to adapt to numerous and variable regulatory regimes.

#### **What are the most important and relevant areas to be addressed in order to achieve smart, sustainable and inclusive growth?**

AmCham EU has identified five key action areas to achieve strategic and dynamic growth in Europe:

- (i) **Build skills for the future:** If Europe is to compete in an ever-changing global environment; policies need to be in place to ensure its citizens are well-equipped to meet the needs of the future marketplace. This will require investment in training and skills development at every stage of workers' lives to remain relevant to the needs of society and the economy. Better connecting education policy and the realities of the labour market through reinforced vocational training and adult education could help to achieve this goal.
- (ii) **Drive integration to create an attractive single market:** Europe needs to complete the Single Market, particularly in the areas of services, the digital market, energy and transportation. Efforts also need to be made to improve harmonisation of policies and regulation. The objective should be to make Europe an attractive destination for investment and a hub of economic growth and innovation which contributes to global regulatory and industrial standards.
- (iii) **Embrace revolutionary change for industrial leadership:** Europe has built a strong industrial foundation and now is the time to capitalise on its expertise across all sectors including pharmaceuticals, healthcare, energy, transport, aerospace, security, chemicals, biotech and digital technologies. The objective should be to establish policies to keep European industry at the cutting edge to ensure sustainable economic growth. AmCham EU

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looks forward to providing its input on the forthcoming roadmap on placing industrial policy and competitiveness at the heart of the Europe 2020 strategy and the European semester.

- (iv) **Develop new models of innovation and entrepreneurship:** Innovation and entrepreneurship have been hailed as great drivers of growth. The next generation of entrepreneurs need to be supported and encouraged through incentive programmes. At the same time, fresh models of partnership between governments, businesses and the wider civil society need to be developed and promoted. The objective should be to foster dynamic and flexible thinking to generate economic opportunities for the future.
- (v) **Lead by example towards global integration:** Europe needs to remain a global hub for trade, investment and ideas, while taking advantage of the global economic landscape more systematically. The objective should be to ensure that European industries can compete successfully in an increasingly integrated global economy. The Transatlantic Trade and Investment Partnership (TTIP) agreement offers the opportunity to enhance cooperation between the EU and the US and the possibility of establishing regulatory standards which will have a profound impact on the way business is conducted globally for decades to come.

### **What new challenges should be taken into account in the future?**

There are a number of new challenges which have emerged since the Europe 2020 strategy was drawn up. As discussed above, levels of youth unemployment have reached extremely high levels, exacerbated by the mismatch between the supply of skills and the demands of the labour market.

In addition, the financial crisis has illustrated the need for a robust, long-term strategy for an Economic and Monetary Union, and greater co-ordination of the banking, fiscal, economic and political pillars. Such coordination would make an important contribution to restoring investor confidence, long-term financial stability and greater confidence in the Eurozone and would therefore merit a place in the Commission's medium-term strategy. Open markets and global trade are central to any strategy designed to increase European employment and economic growth. Moreover, it is important that policy-makers realise that regulatory divergence can be an even greater threat to trade than tariff barriers.

### **How could the strategy best be linked to other EU policies?**

We are hopeful that the reorganisation of the Commission, at a political level, (and notably the creation of the "project teams" led by the Commission Vice-Presidents) will lead to more linked-up policy-making, address bottlenecks and break down silos between different policy areas. In addition, the creation of a role for a Vice-President responsible for Better Regulation is a positive development.

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### **What would improve stakeholder involvement in a post-crisis growth strategy for Europe? What could be done to increase awareness, support and better implementation of this strategy in your country?**

Please see our response to the question on stakeholder involvement in Section 1 above.

#### *Tools*

### **What type of instruments do you think would be most appropriate to use to achieve smart, sustainable and inclusive growth?**

The internal market is a fundamental basis of the European economy and its full potential must be realised and exploited to help create growth. Completing the single market could help boost EU GDP and create new jobs. It would increase productivity, investment and trade and job creation, helping to ensure Europe maintains its position as a global economic player.

### **What would best be done at EU level to ensure that the strategy delivers results? What would best be done at Member State level?**

Internal market policy must clearly remain an EU-level competence if it is to have any meaning. Effective implementation and extension in some areas (e.g. energy, telecoms markets, services and broader public procurement) would be very welcome. Fair competition and access to markets clearly depends on a consistent approach to market liberalisation, but the missing ingredient is usually more timely and more effective transposition and better enforcement rather than additional legislation.

Legislation on the EU level is preferable when it levels the playing field and provides equal opportunities for all businesses to engage in the market to offer goods and products to consumers. EU proposals for new legislation can potentially have implications for competitiveness and innovation. Employment-related legislation (such as on working time and agency workers) is an area where a greater role for national governments may be appropriate given national socio-economic specificities.

Trade policy is another area which should remain at EU-level (and an important part of any EU growth strategy). The EU plays a vital role in opening up market access worldwide, with far greater leverage (for example into Asian markets) than could be obtained by nations acting individually. Support should be given on trade policy efforts regarding multilateral trade agreements, such as around services and government procurement, and with regard to bilateral EU trade and investment agreements with countries such as the US, Japan, Vietnam, India and Mercosur, building on the work on the Korea and Singapore agreements deals.

To judge what could be done at the national level, the Commission could require that when new legislation is proposed, it should be subject to much more effective subsidiarity testing –

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in other words, there should be an agreed need that an issue needs tackling and can only be tackled effectively at supra-national level. This could include a competitiveness test for the measure itself and for its cumulative interaction with other measures: a comprehensive approach to new legislation is needed. This also requires renewed efforts to create a more effective and independent process of economic impact assessment: at present the – albeit improved - process still has little effect on the overwhelming momentum to legislate.

### **How can the strategy encourage Member States to put a stronger policy focus on growth?**

Europe and the Member States need to put in place growth enhancing measures and mechanisms that are going to spur employment, encourage business investment and drive the necessary economic reforms to ensure Europe remains a player in the global economy. AmCham EU strongly believes that a focus on growth-friendly fiscal consolidation and structural reforms that takes into account national circumstances is essential to harnessing the full potential of the Single Market and achieving growth.

The recent crisis has clearly demonstrated the irreplaceable role of industry and, as has been the case in the past, recovery will be led by industry. Industry is the backbone of any economy and is central to ensuring economic growth and job creation. Europe needs to provide the right framework conditions for enterprise development and innovation in order to make the EU an attractive place for industrial investment and development. European industrial policy needs to ensure that all companies operating in Europe, regardless of their size, origin or geographic location, benefit from the same regulatory and financial measures.

### **Are targets useful? Please explain.**

As discussed above, we are of the view that while certain targets would encourage Member States to take positive steps (such as creating an environment that is supportive of R&D and innovation) simply setting absolute targets is not sufficient.

### **What are the most fruitful areas for joint EU-Member State action? What would be the added value?**

Joint EU-Member State action can be a productive means of responding to the considerable challenges facing Europe at present. To take one example, AmCham EU would encourage the EU and Member States to work together to integrate and invest in Europe's infrastructure. Despite decades of integration, much of the EU's physical infrastructure remains fragmented and nationally focused. This is the case for electricity generation and distribution through to transportation. There is an opportunity to gain significant efficiencies over the coming decade in coordinating infrastructure renewal projects to ensure that economic efficiency, not national borders, is the driving factor guiding infrastructure investment. As such, we support initiatives such as the 'Connecting Europe Facility' which aims to fill the missing links in Europe's



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infrastructural backbone. Given that large-scale infrastructure projects are costly, Member States should be encouraged to collaborate with the EU in all long-term infrastructure-planning processes. In addition, all cross-border projects should be coordinated with the relevant jurisdictions to ensure maximum efficiencies.