



8 March 2016

COLOGNE STATEMENT ON COMPETITIVENESS

Unleashing the private sector to create jobs and growth

Jobs and growth are created by private initiatives, by innovative entrepreneurs and start-ups. Politicians promising otherwise only prepare the ground for populists. While the EU and national governments can only set framework conditions, this task is huge. Only if we get these conditions right will Europe regain competitiveness and be able to preserve its European Social Model, faced, as it is, with fierce global competition. Only then will Europeans find new jobs, will we achieve our target of a 20 percent GDP share of competitive industry and will we succeed in re-industrialising Europe. We therefore commit to the following **structural reforms at European and national level**.

While populists claim that cutting public debt means losing sovereignty, the contrary is true: **lowering debt levels** means regaining sovereignty and increasing our governments' fiscal means, as still-high levels of public debt result in insufficient buffers to deal with possible new shocks reducing the capacity to invest.

- We insist that the agreed rules, outlined in the Stability and Growth Pact, must be fully and coherently applied and enforced, in order to regain the trust of private investors.

The approach by the new Commission is right: Europe has to be **big on big things and small on small things**. Consolidating means first and foremost applying the rules in place, ensuring a level playing field, reaping the full benefits of the Single Market - the EU's growth engine - at zero cost.

- We encourage the Commission to keep track of and pay due regard to the principles of proportionality and subsidiarity. The goods market must be strengthened by better surveillance of market operators, products and national rules and laws.
- We encourage the Commission to further strengthen the European Semester process, increasing national ownership, while focusing its proposals on targeted, major reform areas. In turn, Member States have to commit themselves to better implementation.

EU competition policy is instrumental to the functioning of Europe's social market economy and the realisation of the full potential of the internal market.

- We call for the strict application of EU and national competition law through the controlling and restricting of unfair market practices resulting from monopolies and dominant market positions.
- Competition policy must be aligned with the EU's strategic objectives, allowing European companies to compete in global markets.

We could gain an additional 4 percent of GDP by **further integrating the Single Market**, in particular in the **digital area**. We want to achieve a globally-competitive, innovative and citizen-oriented Digital Single Market. To remain competitive, our industry has to 'go digital'.

- With respect to the 'Schengen area', the EPP Group underlines the importance of open borders for Europe's competitiveness. We support all efforts to fully preserve this pillar of European integration despite the challenges caused by the refugee crisis.
- We believe that consumers cannot be discriminated against based on their geographic location. Discriminatory practices like unjustified geoblocking need to be addressed. We believe that barriers to the cross-border development of e-commerce have to be dismantled.
- We want to accelerate the digitalisation of European industry by targeted e-skills training, the creation of networks and the necessary infrastructure. All Member States have to decisively promote the roll-out of infrastructure and pursue the digitalisation of industry with determination, under Commission coordination with respect to standardisation.
- We want Europe to foster a pro-investment policy for new technological developments, such as 5G, Big Data, cloud computing and the Internet of Things.

Europe clearly falls short of reaching its targeted **3 percent of GDP for R&D**, in particular facing problems achieving the 2 percent foreseen for private spending. Progress in this regard is only possible if we change the legal and financial framework.

- We want to improve the research environment, particularly for SMEs and start-ups, notably by removing red tape, improving the regulatory framework (e.g. bankruptcy laws, commercial code, access to risk capital) and supporting research-driven spin-offs.
- The EPP Group wants to transform innovative research into real business models. For this, better interlinking and cooperation between different EU funding programmes is needed. We therefore support the Commission's plans for a guidebook for SMEs.

Our Group has constantly worked to and will continue to push forward concrete projects proposed by the Commission to **facilitate funding conditions for SMEs, including risk capital and other forms of equity funding**, as SMEs create 8 out of 10 jobs.

- Building on the Commission's Action Plan for the Capital Markets Union, the EPP Group will negotiate rules on securitisation and venture capital as a matter of priority, to provide an attractive framework for SMEs, family businesses and start-ups.
- Only 13% of our SMEs are doing business beyond the borders of the EU; the EU should therefore support the internationalisation of SMEs. We will fight for our SMEs to obtain more market share outside the EU.

- We call on the Commission to improve the framework for bank financing and maintain the SME-supporting factor for capital requirements.
- We will continue to promote the adequate financing of budgetary instruments and programmes that facilitate access to financing for private enterprises, with a particular focus on SMEs and start-ups. Cohesion policy represents the main strategic, performance-oriented Union instrument for investing in growth and jobs, closely linked to the European Semester. We stress the importance of more strongly coordinating cohesion policy investment with that of other Union policies, creating synergies and increasing the leverage effect. All EU funds, in particular the European Fund for Strategic Investments, must be oriented to increase the competitiveness of our productive sector.

The **effective retirement age** needs to take into account longer life expectancy and the demographic trend. EPP governments have proven that this helps to stabilise contributions to social insurance, setting an incentive to create jobs while also stabilising public finances.

- We call for an alignment of the pension system to the demographic situation and for offering targeted incentives for employing older workers.

Efficient **labour markets** are essential for the creation of new and stable jobs.

- We appeal to Member States to render their labour markets more flexible while avoiding precarious employment. Member States must step up measures aimed at reducing undeclared work and increase labour participation, especially for young people, while lowering taxes on labour to make work pay while preserving overall tax revenues.
- Labour mobility across Europe has to be increased by enhancing the employability of workers abroad through full recognition of skills and qualifications, and with a strong effort to improve the language skills of our workforce.
- Following a best practice approach, Member States should learn from each other, e.g. through the establishment of dual vocational training systems, which have proven to be particularly helpful in teaching skills that are relevant for the job market. The Commission's New Skills Strategy can provide an important impulse in this respect.
- All efforts must be made to increase the participation of women in the labour market, with a special emphasis on encouraging female entrepreneurship.
- EU institutions and all public administrations must work to ensure that EU citizens are equipped with the necessary digital skills required today. We need to ensure that these skills keep pace with technological development, through lifelong training.
- A change of company culture towards flexible and more attractive working conditions is necessary, not least to withstand the tough international competition for skilled employees.

Citizens and companies rightly expect **efficient public administration**, this being a criterion for EU accession. Due to growing interdependence within the internal market, the quality of public administration has become more important as a factor in competitiveness. Yet, too often, administrative obstacles increase costs for businesses, in particular for SMEs and start-ups, and hinder innovation and job creation.

- We insist on a binding SME test. Every impact assessment has to analyse the impact on SMEs, minimising the regulatory burden, preventing and reducing bureaucratic costs.

- We call on Member States and the Commission to establish efficient, effective and transparent public administration at all levels of government, making full use of e-government tools, as public administration cannot be spared from digitalisation.

Energy is one of the key elements in determining the competitiveness of the European economy and, in particular, of our industry. The EPP Group's energy and climate policy fosters Europe's industrial competitiveness, as we strive for a turnaround from the current process of deindustrialisation to a reindustrialisation of Europe.

- Our goal is to ensure a steady, smart and sustainable supply of energy at a reasonable cost to our businesses, in particular industrial consumers, and households.
- Removing barriers to the free flow of energy across borders is essential for building the European Energy Union.